

**CORNERSTONE CAPITAL INC.  
WRAP FEE PROGRAM BROCHURE**

**CORNERSTONE PORTFOLIO SOLUTIONS Item 1 Cover Page 1180 Avenue of the Americas**

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**This wrap fee program brochure (“Brochure”) provides information about the qualifications and business practices of Cornerstone Capital Inc. (“Cornerstone”). If you have any questions about the contents of this Brochure, please contact your Cornerstone Investment Adviser Representative (“IAR”) or Cornerstone at (212) 874-7400 and/or [info@cornerstonecapinc.com](mailto:info@cornerstonecapinc.com) . The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.**

**Additional information about Cornerstone is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 Material Changes

This brochure is an annual updating amendment to, and reflects the following material changes since Cornerstone Capital Inc.'s wrap fee brochure was last updated on March 31, 2016.

- As of Jan, 2017, Cornerstone Capital Inc. will no longer charge for access to The Journal of Sustainable Finance & Banking (JSFB) and has no outstanding subscriptions. Additionally, pricing and research access tiers (Basic, Enhanced and Premium) have been replaced by negotiated pricing for thematic and bespoke research. Pursuant to the change in pricing which eliminated prepayment of more than \$1,200 in fees per client, six months or more in advance, providing an audited balance sheet as previously stipulated under Part 2 of the Uniform Requirements for the Investment Adviser Brochure and Brochure Supplements section 18A, is no longer required.
- Beginning in 4Q, 2016, Cornerstone Capital Investment Management (CCIM) began to be rebranded as Cornerstone Capital Investment Advisory (CCIA). Company brochures, regulatory filings and marketing materials will be updated to reflect this change.
- As of September 2016, several of our employees ceased to be licensed as associated persons ("Associated Persons") of Strategic Marketing Solutions, Ltd., LLC, a registered broker-dealer based in California ("SMS").
- In May, 2016, Fern Ellen Thomas assumed the role of CFO, replacing Nicola Shelbourne in her role as Treasurer.

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## **Item 4 Services, Fees and Compensation**

Cornerstone Capital Inc. is a registered investment adviser based in New York, NY. We are organized as a corporation under the laws of the State of Delaware. In addition to the investment Advisory services we provide that are described herein, we have been providing consulting and other non-investment advisory services since August 2013. Erika Michele Karp is the principal and majority owner of Cornerstone Capital Inc.

Cornerstone Capital Inc.'s investment strategy seeks to systematically incorporate and articulate sustainability into the investment advisory services it offers. To implement our strategy, we seek to utilize environmental, social and governmental ("ESG") standards to measure an issuer's and money manager's adherence to, or adoption of, sustainability.

This Brochure provides a description of the wrap fee program advisory services offered by Cornerstone Capital Inc. Cornerstone Capital Inc. also provides advisory services outside of a wrap fee program and separate research services. For information about such services please see the Cornerstone Capital Inc. Form ADV Part 2A Brochure located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Cornerstone Capital Inc. offers the Investment Advisory Services and/or the Research Services using the name Cornerstone Capital Inc. d/b/a Cornerstone Capital Group ("Cornerstone Capital Group"). Cornerstone Capital Group also offers consulting and other non-investment advisory services. Cornerstone Capital Inc. provides the Investment Advisory Services using the names Cornerstone Capital Inc., Cornerstone Capital Investment Advisory ("CCIA") and Cornerstone Capital Group Investment Advisory (collectively, "Cornerstone Capital Investment Advisory").

As used in this brochure, the words "we", "our" and "us" refer to Cornerstone Capital Inc., Cornerstone Capital Group or Cornerstone Capital Investment Advisory, or a group or division of any of the foregoing, as applicable, and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

### **Wrap Fee Program Services**

We offer discretionary and non-discretionary wrap fee program services through our Cornerstone Portfolio Solutions wrap fee program. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for wrap fee program services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our wrap fee program services, we will invest your assets according to an investment portfolio specifically tailored for you. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

The investment portfolios recommended by our portfolio management team may consist of mutual funds, exchange traded funds ("ETFs") and/or allocations to approved third party investment managers ("Underlying Managers") to manage all, or a portion of, your investment portfolio. In addition, we may provide investment

advice regarding individual stocks, bonds, and other securities, financial instruments, interests and/or any other property (collectively, “Securities”). You may request that we refrain from recommending a particular

Underlying Manager, ETF or mutual fund or certain types of Securities. You must provide these restrictions to our firm in writing.

If you participate in our discretionary wrap fee program services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to, among other things, execute transactions on behalf of your account, allocate or withdraw the assets in your account to or from Underlying Managers, and rebalance your portfolio among mutual funds, ETFs, Securities and Underlying Managers without your approval prior to each transaction. Discretionary authority is typically granted by the Cornerstone Capital Investment Advisory Client Agreement (the “Client Agreement”) you sign with our firm and the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account and allocating, rebalancing and/or withdrawing account assets to or from any Underlying Managers. Regardless of whether you hire us on a discretionary or non-discretionary basis, any Underlying Manager(s) hired for your account will actively manage your portfolio and will assume discretionary investment authority over your account either as a separately managed account and/or by you placing your assets in private investment funds or other investment vehicles managed on a discretionary basis by such Underlying Manager(s).

If your account is invested with Underlying Managers, you should review the Underlying Manager’s brochure for specific information on the Underlying Manager.

In addition to the foregoing we may provide to wrap fee clients one or more of the following additional services: (i) financial planning advice; (ii) development of a financial summary; (iii) development of a financial management strategy; (iii) financial reporting; and/or (iv) access to our research products (the “Additional Services”). The provision of any Additional Services will be agreed on an individual basis with each client.

## **Custodian and Broker**

Pershing, LLC (“Pershing”) acts as custodian for our wrap fee clients. It provides execution and clearing services, and performs administrative services, such as quarterly performance reporting for your account. We reserve the right to replace Pershing or add additional custodians as we may determine, which custodians shall be subject to, and act in accordance with, the terms and conditions of the Client Agreement.

We transact in all ETFs, mutual funds and Securities for your account through Pershing and/or any other properly registered broker-dealers that we may agree upon with you. In addition, Underlying Managers purchase all securities for your account through Pershing unless otherwise instructed by you. See below in the brokerage section of Item 9 regarding (i) certain conflicts of interest we may have with respect to selecting Pershing as the custodian and broker for our wrap fee program and (ii) when we may, at your request, transact with brokers other than Pershing.

## Fees

Our fee for wrap fee program services is based on a percentage of your assets we manage and is negotiable depending on individual client circumstances. The fees charged to your account for the wrap fee program may be up to 150 basis points (i.e., 1.5%) per annum of total assets under management. There may be an additional charge for any Additional Services we may provide. Any such additional fees will be negotiated on an individual basis. In no event will the aggregate fees for all services exceed 300 basis points (i.e., 3.0%) per annum of total assets under management.

In addition, you will incur fees from Underlying Managers who may be engaged, as well as fees charged by Pershing. Each Underlying Manager's fees will be agreed upon separately and may differ from fees charged by other Underlying Managers. The fees charged by the Underlying Managers are expected to range between 0.35% and 1.25%. We will notify you of each Underlying Manager's fees prior to allocating your assets to such Underlying Manager. We do not share in fees paid to Underlying Managers or to Pershing or other custodians.

If we invest your account in mutual funds, ETFs and Securities and do not recommend Underlying Managers for your account, there will be a single bundled fee charged to your account that will consist of our fees and fees charged by Pershing for execution of, and custodial services with respect to, ETF, mutual fund and Securities transactions.

If you invest with Underlying Managers but we do not invest your account in mutual funds, ETFs and Securities, your account will be charged (i) a bundled fee that will consist of the Underlying Managers' fees and fees charged by Pershing for execution of, and custodial services with respect to, the Underlying Managers' transactions and (ii) our fee for our advisory services with respect to the due diligence and selection of the Underlying Managers.

If you invest with Underlying Managers and we invest your account in mutual funds, ETFs, single stocks and/or bonds, your account will be charged (i) a bundled fee consisting of our fees and fees charged by Pershing for execution of ETF, mutual fund, single stock and/or bond transactions, (ii) a bundled fee that will consist of the Underlying Manager's fees and fees charged by Pershing for execution of, and custodial services with respect to, the Underlying Manager's transactions, and (iii) our fee for our advisory services with respect to the due diligence and selection of the Underlying Managers.

All of the applicable foregoing fees will be reflected on the account statement you receive from Pershing or other asset management platforms we access on your behalf.

We will send you a fee statement for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

Our fees are charged quarterly in advance based on the net asset value of your account on the last day of the previous quarter. If the Client Agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis based on the net asset value of your account at the time you execute the

Client Agreement, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

You may terminate the Client Agreement upon 30 days' written notice to our firm. You will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Important Things to Consider About Fees Related to your Wrap Fee Program Account**

The wrap fee program fee is a recurring fee for our investment advisory services which includes ongoing investment advice, within the meaning of the Advisers Act, any fees charged by Underlying Managers, the execution of transactions, custody of assets and reporting and other administrative services provided in connection with your wrap fee program account as applicable. If your account is invested with Underlying Managers the wrap fees you pay may be more than if you would hire the Underlying Managers directly instead of through our wrap fee program. In addition, the brokerage and custody portions of the wrap fee may cost you more than if your account were charged a traditional transaction-based commission where you would buy the same or similar investments separately and pay a sales charge or commission for each transaction. The factors that bear upon the cost of the wrap fee program in relation to the cost of the same or similar investments purchased separately include the:

- type and size of the account in which the investments are purchased;
- historical and expected amount and number of trades in the account; and
- number and range of supplementary advisory and ongoing client-related services provided to the client.

The wrap fee may also cost the client more than if the assets were held in a traditional brokerage account. In a brokerage account, a client is typically charged a commission for each transaction. However, the brokerage account representative has no duty to provide ongoing advice or service with respect to the account. If the client plans to follow a "buy and hold" strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than opening a wrap fee account with us.

### **Additional Fees and Expenses**

As part of our wrap fee services to you, we may invest, or recommend that you invest, in mutual funds and ETFs. The wrap fees that you pay to our firm for our services are separate and distinct from the fees and expenses charged by mutual funds or ETFs (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. We do not share in any portion of the management fees charged by the mutual funds or ETFs. However, the mutual funds and ETFs may share some of these fees with Pershing or other custodians that we use for your account. Consequently, in addition to the brokerage and custodial fees that you pay to Pershing or other custodians directly as part of your wrap fee or otherwise, the brokers and custodians we use for your accounts may receive additional indirect fees from you based on your investments in mutual funds and ETFs. To fully understand the total cost you will incur, you should review all fees charged by mutual funds, ETFs, our firm, and third party money managers.

## **Item 5 Account Requirements and Types of Clients**

We offer our wrap fee program services to individuals, corporations, partnerships, investment management firms, investment funds, individual retirement accounts, pension plans, trusts, charitable organizations, foundations, endowments and family offices.

In general, we do not require a minimum dollar amount to open and maintain a wrap fee program account; however, we reserve the right to terminate your account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage. In addition, we may, in our sole discretion, determine not to accept a wrap fee program account client.

## **Item 6 Portfolio Manager Selection and Evaluation**

Our investment process involves the selection of Underlying Managers, and, with respect to the mutual funds and ETFs in which we invest, the due diligence on managers of such mutual funds and ETF's (together with the Underlying Managers, the "Managers"), based on various factors, including, among others, performance, strategies, methods of analysis, fees and a client's financial needs, investment goals, risk tolerance, and investment objectives.

Prospective Managers are identified by members of our Research Services group (the "Research Division") through commercially available databases, direct solicitations by the managers, due diligence and referrals from third parties. The Research Division gathers disclosed information about the Managers (and, if applicable, the mutual funds and ETFs) on commercial databases, as well as additional information as may be delivered to us by the Managers.

In the course of our due diligence on mutual funds, ETFs and Underlying Managers, the Research Division employs both quantitative analysis and qualitative analysis as relevant. Quantitative analysis assesses the prospective Manager's historical performance, risk levels, and portfolio characteristics. Qualitative analysis is done concerning the prospective Managers' investment experience, continuity of staff, academic qualifications of investment professionals, and adherence to its investment strategies. In addition, members of the Investment Policy Committee ("IPC") consisting of Phil Kirshman (CIO), Erika Karp (CEO), John Wilson (Head of Corporate Governance, Engagement & Research), Michael Geraghty (Global Markets Strategist) and David Dusenbury (Managing Director, Corporate Strategy) may meet with representatives of prospective Managers. We also review the portfolio fundamentals and underlying holdings from the standpoint of both valuation and sector concentration and review the offering documents of each prospective Manager

Our due diligence process relies on traditional metrics including performance history of the model over various time frames and considering various measures of risk-adjusted performance. Additionally, we consider the Manager's history, management team, investment process, assets under management, and the Manager's ESG standards integration process. Managers may be recommended based on their individual merits, their correlation (or lack thereof) to other recommended managers, and thematic considerations.



Prior to recommending Underlying Managers, mutual funds or ETFs, the Research Division screens quantitative performance metrics and qualitative due diligence related categories through various third party data providers.. Following the allocation of client assets, Underlying Manager, mutual fund and ETF performance is calculated through the clients' custodian and, in some cases, reported on by our portfolio reporting solutions vendor. We do not conduct separate performance calculations on managers, mutual funds or ETFs. Custodians and third party data and reporting vendors have their own data checks and process to verify the accuracy of the performance data they provide. We do not conduct additional audits of their data.

An Underlying Manager recommended by the Research Division must be approved by the IPC as an approved Underlying Manager prior to being eligible to be recommended to clients by our portfolio management team. In addition, the Research Division periodically monitors the Underlying Manager to make a determination regarding whether its management and investment style remains aligned with its stated management and investment style. See Item 10 for certain potential conflicts of interest regarding the due diligence, recommendation and approval of Underlying Managers.

Our investment strategies and advice may vary depending upon each client's specific financial situation. For specific clients, we seek to build a portfolio of Managers or solutions that will appropriately diversify their portfolio to achieve the optimal risk-adjusted expected returns to accomplish the goals stated in their investment policy statement. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and various other suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. After gathering information about your financial situation and objectives, the portfolio management team will recommend allocation amounts among the recommended mutual funds, ETFs, Underlying Managers and/or securities, taking into consideration (i) your financial situation and objectives, (ii) the performance, strategy, methods of analysis, investment objectives, portfolio risks and fees of recommended mutual funds', ETFs', and/or Underlying Managers'

We act as portfolio manager for your account with respect to the selection of mutual funds, ETFs and Securities as we deem appropriate having regard to your investment objectives, strategy and guidelines. We do not believe that this causes any conflict of interest with the fact that we may also recommend Underlying Managers for your account.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in Item 4 above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Our firm charges separate fees for wrap fee Investment Advisory services and research services and these services are rendered by separate personnel. Investment advice rendered to wrap fee clients may not always be consistent with the views expressed through our research services. For example, the portfolio management team may recommend an Underlying Manager that concentrates on a sector that is given a negative outlook

by the research team. Cornerstone Capital Inc. has procedures designed and implemented to monitor that the portfolio management team is aware of the research team's views and takes such views into consideration when making portfolio management decisions.

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

Our methods of analysis and investment strategies are described above in this Item 6.

There can be no assurances that a client will achieve its investment objective or that the strategies pursued and methods utilized by us will be successful under all or any market conditions. Past performance is no guarantee of future performance. Investing in financial instruments involves the risk of loss of principal that clients should be prepared to bear.

Set forth below is a summary of certain material risks generally applicable to our wrap fee investment advisory services. Risk factors for particular Underlying Managers, mutual funds and ETFs may be set forth in the account and/or fund documents of the Underlying Managers, mutual funds and ETFs as well as in the Forms ADV Part 2A of the respective Underlying Managers and respective managers for the mutual funds and ETFs.

**Monitoring Managers.** Although we will attempt to monitor the overall performance of each Manager, we must ultimately rely on each Manager to operate in accordance with the investment strategy and guidelines laid out by such Manager and the accuracy of the information provided to the account by such Manager. Notwithstanding our monitoring efforts, we may not promptly detect the fact that a Manager is not operating in accordance with its investment strategy or guidelines. Moreover, if the information furnished by a Manager is not accurate and timely, our ability to monitor the Manager will be impaired. Your account may sustain losses with respect to some or all of its investments despite our best efforts to monitor the Manager's performance. The Managers will not coordinate their investment strategies with each other and at times may take positions which conflict with positions taken by other Managers

**Open-end Mutual Fund Trading.** The value of an open-end mutual fund may fall more quickly or rise more slowly than the stock or bond markets as a whole. This risk is exacerbated in investments which are concentrated in particular types of securities or particular market sectors. Risk is involved in mutual fund selection as well as in determining entry and exit strategies. Most open-end mutual fund shares can only be traded at the end of each day, potentially increasing losses on days of steep overall market declines. In addition, some funds only permit trading well before the market closes.

**Closed-end Mutual Fund Trading.** Closed-end mutual funds ("CEFs") are traded on an exchange, and thus the price of a CEF is based in part on market factors, not solely on the net asset value of the CEF. As such, there is a risk that a CEF's price is less than the net asset value of the CEF's assets. Moreover, CEFs, as an investment sector, could fall out of favor.

**Exchange Traded Funds.** ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock or U.S. bond. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios.

A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

## **Voting Client Securities**

Except as otherwise agreed with you, we will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

The Underlying Managers with whom you invest may vote proxies for securities purchased on your behalf if authorized to do so by you, either with respect to all proxies or with respect to specific votes on specific topics or shareholder proposals.

In addition, if any Assets are invested in Securities the issuers of which are named in or subject to a class action lawsuit, we will not take any action or render any advice with respect to such class action lawsuit, including but not limited to, participating in such class action lawsuit.

## **Item 7 Client Information Provided to Portfolio Managers**

We may share clients' particular investment policy goals including ESG standard strategic preferences if necessary for an Underlying Manager to execute a customized strategy. We will update Underlying Managers as needed if new information becomes available that may affect the securities an Underlying Manager may choose for a particular model. We do not provide client information to mutual fund or ETF management companies.

## **Item 8 Client Contact with Portfolio Managers**

We do not place any restrictions on client contact with Underlying Managers, mutual funds and ETFs. Some Underlying Managers, mutual fund or ETF companies may have their own restrictions on client contact.

## **Item 9 Additional Information**

### **Disciplinary Information**

We do not have any disciplinary or legal events to report.

### **Other Financial Industry Activities and Affiliations**

The Research Division may provide Research Services to Underlying Managers or their affiliates for which we receive compensation. Receipt of such compensation from Underlying Managers may cause us to have an incentive to recommend or select such Underlying Managers for Wrap Fee Program clients. The Research Division may conduct due diligence and make recommendations regarding the use of certain Underlying Managers. In conducting due diligence of Underlying Managers, the Research Division may have an incentive to recommend Underlying Managers that purchase research from our firm or that are investors in our firm. Research Staff who are primarily responsible for Manager Due Diligence do not have knowledge of which Asset Managers may be compensating Cornerstone for Research services and they themselves are not members of the IPC. The IPC is charged with approving Underlying Managers for our platform for use by the portfolio management team in the Wrap Fee Program. Certain members of the IPC know which Underlying Managers have purchased research from our Research Division or are investors in our firm. Consequently, such members of the IPC may have an incentive to approve Underlying Managers to our platform.

These potential conflicts of interest are mitigated due to the fact that the due diligence, recommendation and approval process of Underlying Managers is based primarily on pre-determined objective factors and is not based on whether or not an Underlying Manager purchases research from Cornerstone Capital Group. In addition, the Chief Compliance Officer (who is not a member of the IPC, the portfolio management team or the Research Division) and the CEO, reviews the due diligence, recommendation and approval processes of Underlying Managers to monitor that such due diligence, recommendations and approvals are consistent with Cornerstone's fiduciary obligations and are not based on whether or not an Underlying Manager purchases research from us. Furthermore, the portfolio management team making the allocation decisions to the Underlying Managers on a client-by-client basis will not have access to information regarding the compensation we receive with respect to our research services.

### **Description of Our Code of Ethics**

We have adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which we operate and the procedures for implementing those principles. The Code includes provisions that govern our fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees (collectively, "Employees") of Cornerstone Capital Inc. and their related accounts are permitted to maintain personal securities accounts provided that such accounts are disclosed to Cornerstone Capital Inc. and that any personal trading is consistent with applicable law and with the Code.

Under the Code, Employees may invest in financial instruments for their own account subject to entry and approval in our computerized surveillance and approval system. The Code and system contain policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to clients
- prohibit trading on the basis of material nonpublic information
- place limitations on short term trading by imposing a 5 day holding period
- place limitations on daily transaction volume in non-exempt securities using a limit of 1.0% of the security's 30 day average daily volume.

Trades in open-end mutual funds, ETFs, municipal securities, securities transactions in Separately Managed Accounts (SMAs) and any purchase or sale of fixed-income securities issued by agencies or instrumentalities of, or unconditionally guaranteed by, the Government of the United States (collectively, the "Permitted Securities"), are exempt from pre-clearance requirements.

Our Code is available to any client or prospective client upon request by contacting Joel Beck, Cornerstone Capital Inc.'s Chief Compliance Officer, at (212) 874-7400.

### **Participation or Interest in Client Transactions**

We do not engage in principal transactions with client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Review of Accounts**

The portfolio management team monitors individual wrap fee program client accounts on an ongoing basis and will conduct formal account reviews at least annually to make a determination whether the advisory services provided are consistent with your stated investment goals and objectives. In addition, the Chief Compliance Officer will monitor on an annual basis that allocations to Underlying Managers are only made to approved Underlying Managers and that investment allocations comply with particular client investment guidelines.

Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We will provide you with regular written reports in conjunction with account reviews. Such reports may include account balances, changes in value relative to performance benchmarks when applicable and asset allocation summaries. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

## **Client Referrals and Other Compensation**

See the “Other Financial Industry Activities and Affiliations” section above of this Item 9. See also the “Brokerage” section of this Item 9 below for additional information regarding compensation we receive from third parties that are not clients.

We have entered into referral agreements whereby we may compensate third parties for client referrals. Such agreements are structured to comply with Rule 206(4)-3 under the Investment Advisers Act of 1940. Under such agreements, we have authority to monitor the conduct of persons eligible to receive referral fees in order to ensure that they are making timely and proper disclosures to referred clients. Referred clients are also required to acknowledge in writing that they have received required disclosures relating to the referral arrangement.

## **Financial Information**

We have no financial condition that impairs our ability to meet contractual commitments to clients, and have not been the subject of a bankruptcy proceeding.

## **Brokerage**

We use Pershing as a custodian and broker for our wrap fee clients and as such we participate in the Pershing Advisor Solutions LLC investment advisor program (“Adviser Program”). Pershing is an unaffiliated SEC registered broker-dealer and FINRA member. Pershing offers to independent investment advisers services which include custody of securities, trade execution, order routing, clearance and settlement of transactions. Not all investment advisers require clients to execute through a specified broker-dealer, and by choosing to use Pershing we may not achieve most favorable execution for our wrap fee clients for every trade. Therefore, using Pershing may cost our clients more money than if we used other brokers. Pershing determines best execution by, among other things, (i) reviewing order routing recommendations by Pershing’s Execution Quality and Order Routing Management group and Pershing’s in-house Best Execution Steering Committee based on market center performance; (ii) engaging an independent, third-party audit firm that measures Pershing’s execution quality; (iii) receiving assistance in identifying and reconciling trade breaks, reducing comparison risk and exposure; and (iv) implementing Monthly Execution Quality Scorecards that compare Pershing’s performance to certain industry benchmarks.

There is no direct link between our participation in the Adviser Program and the investment advice we give to clients, although we receive economic benefits and services through our participation in the Adviser Program that are typically not available to retail customers of these brokers. These benefits may include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools including unsolicited third-party research (for example, from Standard & Poors or Moody’s); consulting services; access to a trading desk; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. The brokers may also provide free attendance at conferences or seminars that they may sponsor. The brokers may also pay for business consulting and professional services received by our related persons.

We may not utilize all of these benefits. Some of the products and services made available by a particular Adviser Program may benefit us but may not benefit our client accounts or may benefit client accounts that did not generate brokerage fees for which the benefits were received, including client accounts custodied at other brokers. Some of the services made available by the Adviser Program are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the Adviser Program do not depend on the amount of brokerage transactions directed to Pershing. However, the rates charged by Pershing may be higher or lower than other brokers. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of Pershing for custody and brokerage services.

We will use reasonable efforts to accommodate client requests to custody their assets at a broker other than Pershing and execute their trades through such brokers. However, we cannot guarantee that we can accommodate such requests. Where we are able to accommodate your request to custody and execute trades through a broker other than Pershing, it should be noted that:

- you may be restricting our ability to obtain as favorable overall execution as might otherwise be obtainable;
- your account may forego benefits from savings on execution costs that may otherwise be obtained, most notably by aggregating brokerage orders for various accounts;
- you may pay higher prices than other client accounts that traded through Pershing;
- you may miss limited opportunity investments that other clients took advantage of by trading through Pershing; and
- there may be additional credit and/or settlement risk in using the broker you select.

For information pertaining to the brokerage and custodial practices of mutual funds and/or ETF's, please refer to the prospectus for such mutual fund or ETF. For information pertaining to the brokerage and custodial practices of an Underlying Manager, please refer to such Underlying Manager's Form ADV Part 2A and/or Wrap Fee brochure.

### **Research and Other Soft Dollar Benefits**

We do not engage in soft dollar arrangements with broker-dealers.

### **Block Trades and Allocations**

From time to time, it may be appropriate for more than one of the accounts managed by us to trade in the same securities at the same time. We may aggregate sale and purchase orders of financial instruments held by a client with similar orders being made simultaneously for other clients, if, in our reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to a client based on an evaluation that a client is benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. Allocations to client accounts are made on a trade-by-trade basis pursuant to a pro-rata allocation methodology based on the amount of assets in each client's account. Exceptions to such allocation methodology may be made based on the following factors, among others: investment objectives and restrictions; risk-management requirements; adherence to any limits or investment guidelines; capital availability in each client account for trades of the type under consideration; liquidity/availability of securities; and eligibility to participate in the transaction. If the orders are aggregated, each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price).

If an order is only partially filled on the date of placement, that portion of the order that has been filled will be allocated to all participating accounts pro-rata based on the amount of assets in each participating client's account. Exceptions may be made to allocation of partially filled orders for transactions in securities in a situation in which pro rata allocation would result in de minimis positions that would not be meaningful, such as an odd lot.

Although our goal is to be fundamentally fair on an overall basis with respect to all clients, there can be no assurance that on a trade-by-trade basis that one client will not be treated differently from another. If Cornerstone Capital Inc. did not manage multiple client accounts, each client individually may be able to receive or sell a greater percentage of all securities purchased or sold. Consequently, when multiple clients participate in limited opportunity trades, each participating account reduces the opportunity available to other participating accounts.

If you are recommended to a mutual fund, ETF or Underlying Manager, please refer to the prospectus of such mutual fund or ETF, or the disclosure brochure of such Underlying Manager, for trading practice information.

### **Broker Recommendation**

We may recommend brokers at the request of a wrap fee client for such client's account that we do not manage on an ongoing basis.

### **Custody**

We do not have actual custody of any client assets. We are deemed to have custody under Rule 206(4)-2 under the Advisers Act (the "Custody Rule") if we deduct advisory fees from your account without your preapproval. We also may be deemed to have custody under the Custody Rule for other reasons. Generally, clients will receive account statements at least quarterly from their custodians including all clients over which Cornerstone is deemed to have has custody of their assets. Clients are urged to carefully review all custodian accounts statements they receive and contact Cornerstone if they have any questions. Clients are also urged to compare the account statements they receive from their custodians to any account statements they receive from Cornerstone and to contact Cornerstone if they have any questions upon conducting such a review.