

## **Form ADV Part 2 Brochure**

**June 2020**

### **Coolabah Capital Institutional Investments Pty Limited**

**Suite 2502 Level 25, Westfield Tower 2**

**101 Grafton Street Bondi Junction 2022 Sydney NSW Australia**

**+61 (0) 429 125 751**

**[www.coolabahcapital.com](http://www.coolabahcapital.com)**

*This brochure provides information about the business practices and qualifications of Coolabah Capital Institutional Investments Pty Limited (CCII), an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). Please contact CCII [info@coolabahcapital.com](mailto:info@coolabahcapital.com) if you have any questions about the contents of this brochure. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that an investment adviser has a certain level of skill or training. Additional information about Coolabah Capital Institutional Investments Pty Limited is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 – Material Changes**

This is the first version of our brochure.

Therefore, there is no prior brochure to facilitate client review of this brochure and there are no material or non-material changes to be notified to the client and incorporated into this brochure.

### Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation.....	6
Item 6 - Performance-based Fees and side-by-side management .....	8
Item 7 – Types of Clients .....	8
Item 8 – Methods of Analysis and Investment Strategies and risk of loss .....	8
CCII Strategies .....	8
Investment Philosophy and Objectives.....	8
Investment Approach.....	8
Investment Process.....	9
Material Risks Specific to the Investment Strategies.....	10
Item 9 – Disciplinary Information .....	12
Item 10 – Other Financial Industry Activities and Affiliations.....	12
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading.....	12
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts.....	13
Item 14 – Client Referrals and Other Compensation.....	14
Item 15 – Custody .....	14
Item 16 – Investment Discretion.....	14
Item 17 – Voting Client Securities.....	14
Item 18 – Financial Information.....	15

## **Item 4 – Advisory Business**

### **Firm Description**

**Coolabah Capital Institutional Investments Pty Limited (“CCII”)**, offers fixed income strategies to retail and institutional investors located in Australia and intermediated investors in the United States. It also manages these strategies in segregated/separately managed accounts (advisory relationships) for institutional investors internationally. The company is a wholly owned subsidiary of **Coolabah Capital Investments Pty Ltd (“CCI”)**, which is a private and unlisted Australian company. CCII’s key investment management functions are managed from its head office at Suite 2502 Level 25, Westfield Tower 2, 101 Grafton Street Bondi Junction in Sydney NSW Australia and via its sales office at 1 Bligh Street Sydney NSW Australia and its credit research team at Level 1, 610 Victoria Street, Richmond Victoria Australia.

Coolabah Capital Institutional Investments Pty Limited holds the following registrations:

<b>Regulated entity</b>	<b>Country/jurisdiction</b>	<b>Regulatory authority</b>
Coolabah Capital Institutional Investments Pty Limited	Australia	Australian Securities and Investments Commission (ASIC)  AFSL 482238
Coolabah Capital Institutional Investments Pty Limited as investment adviser registered with the SEC	United States	Securities Exchange Commission (“SEC”) No.

The bios of CCII’s investment team are found on the company’s website: <https://coolabahcapital.com/our-team/>.

As of 28 February 2020, CCII managed US\$2.23 billion on a discretionary basis. CCI was incorporated in Australia 2011 and CCII was incorporated in Australia in 2015.

### **Advisory Services**

#### **Discretionary Advisory Services**

CCII provides discretionary investment advisory services to institutions and high net worth investors through the management of separately managed accounts. CCII currently has eight separately managed accounts.

CCI/CCII are the sub-investment managers, or investment managers, of all strategies, with Smarter Money Investments serving as investment manager for the Smarter Money Investments retail products, and sub-delegating all investment management responsibilities to CCI/CCII:

**SMAC – Smarter Money Fund**

**SMHI – Smarter Money Higher Income Fund**

**LSCF – Smarter Money Long Short Credit Fund**

CCII's Portfolio Managers are responsible for implementing the investment strategy for all advisory accounts. This includes:

- (a) the identification and selection of specific securities to be bought or sold, taking into consideration the investment objectives of the account and any account limitations or restrictions;
- (b) the quantity of those securities bought or sold and the related method of executing purchase and sale trades; and
- (c) the timing of the purchase and sale decision.

All portfolio and investment decisions are made by CCII's Portfolio Managers based in Australia.

CCII does not provide custodial services to clients for whom it provides discretionary advice. Clients typically provide CCII with authority to communicate with, and provide instructions to, their custodian on their behalf regarding transactions made within the advisory account.

### Non-Discretionary Advisory Services

CCII currently does not provide non-discretionary advisory services, namely CCII does not provide services that are limited to securities recommendations with any resulting investment or divestment actions arising from such recommendations undertaken by the client at their own discretion.

### Investment Restrictions

CCII's discretionary authority over a separate account may be subject to limitations, restrictions, or guidelines imposed by the client. CCII may seek to tailor its investment strategy to meet the needs of the client; however, CCII may decline to accept or may terminate a client's account, if the requirements placed on CCII's ability to manage the account are too restrictive or constrain its ability to effectively implement a particular investment strategy.

### Item 5 – Fees and Compensation

CCII's fees are generally charged as a percentage of assets under management however performance-based fees may also be negotiated with clients. For more information on performance-based fees, please refer to Item 6. Fees charged by CCII may be negotiable based on a number of factors including, but not limited to, account type (e.g. separate account), existing relationship, complexity of client requirements, account size, or other special circumstances. As fees and minimum account sizes are subject to negotiation, clients that are similar in size and have similar objectives may have different fee rates.

The fee schedule applicable for separately managed accounts typically are as follows:

Strategy	Annual management Fee (%)	Commentary
<b>Active Cash Strategy</b>	0.66% Fund Fees are negotiable generally based on investment size. Retail fees are disclosed in the relevant PDS's.	Lowest risk daily liquidity cash plus strategy that invests in liquid IG credit only with av. A credit rating, zero interest rate duration, and generates alpha through long-only credit mispricings, targeting returns of RBA cash rate plus 1-2% pa net of fees with less than 1% pa volatility.
<b>Active Credit/Higher Income Strategy</b>	0.69% Fund Fees are negotiable generally based on investment size. Retail fees are disclosed in the relevant PDS's.	Similar daily liquidity <i>cash plus</i> strategy invested primarily in liquid IG credit with av. A credit rating, zero interest rate duration, and max. 15% allocation to hybrid securities, generating alpha through long-only credit mispricings, targeting returns of RBA cash rate plus 1.5%-3.0% pa net of fees with less than 1% pa volatility.
<b>Long-Short Credit Hedge Fund Strategy</b>	0.75%-1.00% Fund Fees are negotiable generally	Daily liquidity credit hedge fund that focuses on liquid IG credit with av. IG credit rating, zero

	based on investment size. Retail fees are disclosed in the relevant PDS's.	interest rate duration, and generates alpha through long and short credit mispricings with up to 3x leverage. Can also invest in sub-IG credit. Targets returns of 4%-6% above RBA cash rate net of fees with less than 5% pa volatility.
<b>Active Composite Bond Strategy</b>	Separately managed account (IMA) fees are negotiable	Daily liquidity active credit strategy with av. A to AA credit rating, and an interest rate duration overlay that matches the AusBond Composite Bond Index with volatility equivalent to index.
<b>Absolute Credit Alpha Strategy</b>	Separately managed account (IMA) fees are negotiable	Daily liquidity, absolute return strategy able to invest 100% in hybrids, or subordinated bonds, or senior bonds, right across financial capital structures, with a return target of RBA cash rate plus 2.5% pa.
<b>BetaShares Active Australian Hybrid ETF (ASX: HBRD)</b>	0.45%  (CCII is the investment manager and Betashares is the R.E)	Daily liquidity for those seeking a convenient way to access attractive income returns (including franking), from an actively managed diversified portfolio of hybrid securities, bonds and cash.

The specific manner in which fees are charged by CCII is established in a client's written agreement with CCII. CCII generally invoice its fees on a monthly or quarterly basis in arrears. Clients may elect to be invoiced directly or clients may instruct their custodian to debit fees directly from their separately managed portfolio. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (subject to minimum contribution and withdrawal amounts). Accounts initiated or terminated prior to the end of a fee calculation period will be charged a prorated fee.

CCII's fees are exclusive of brokerage commissions, transaction, custody, taxes and other related costs and expenses which may be incurred by clients. For more information on brokerage and other transaction costs please refer to Item 12.

**Item 6 - Performance-based fees**

CCII may enter into arrangements whereby a client pays CCII a fee based on a share of capital gains on or capital appreciation of the client's assets (so called "performance-based fee arrangements"). Such arrangements are subject to individualized negotiation with each client and structured in a manner that is intended to comply with applicable requirements of the Investment Advisers Act of 1940.

Performance-based fee arrangements may create an incentive for CCII to favor such accounts over other accounts (such as those that pay a fee in the form of a percentage of assets managed by CCII) in the allocation of investment opportunities. CCII has policies and procedures designed to provide reasonable assurance that all clients are treated fairly and to prevent this conflict from influencing the allocation of investment opportunities or divestment of existing investments amongst clients.

**Item 7 – Types of Clients**

CCII provides advisory services to high net worth individuals, super funds, pension plans and endowments, corporate treasuries and other entities.

CCII generally requires a minimum account size of US\$20 million to establish an institutional separately managed account. Investors below this level will typically be required to invest in the retail or institutional funds, managed by CCII.

**Item 8 – Methods of Analysis and Investment Strategies****CCII Strategies**

Refer to the summary of CCII's strategies in Item 5-Fees and Compensation.

**Coolabah Capital Institutional Investments Pty Limited ("CCII")****Investment Philosophy and Objectives**

CCII's investment approach is focused on active management and quantitative valuation methods in the liquid and investment-grade domestic and international fixed-income universe encompassing Australian government and semi-government bonds, corporate and financial fixed and floating-rate notes. CCII focuses on generating risk-adjusted excess return, or "alpha" that is typically independent of interest rate duration risk, liquidity risk and credit risk. This involves focusing on delivering total returns for investors by identifying and buying mispriced bonds and profitably selling when they revert toward fair value involving a multi-faceted approach of blending in-depth qualitative credit analysis, quantitative models, comprehensive execution and market technical analysis.

**Investment Approach**

The investment approach of CCII is to focus on active management and quantitative valuation methods in the liquid and investment-grade domestic OTC fixed-income universe and the liquid, sub-investment grade market. CCII specializes in exploiting mispricings in global credit with concentrations in financial issuers and Australian entities. CCII adopts twin "top-down" and "bottom-up" quantitative valuation approaches to pricing assets that involve a suite of between 20-30 different models.



## Investment Process



The Investment Committee and Risk & Compliance committee usually meets monthly between January and November and is in recess during the month of December. CCI's Investment Committee determines each portfolio's Investment & Governance Mandate (IGM). The IGM prescribes the detailed internal portfolio targets and limits. CCI's Compliance Committee monitors compliance with these mandates, which is augmented by the Responsible Entity for the retail funds, EQT's, compliance overlays.

The PMs in turn make all day-to-day investment decisions subject to the investment process and thus the relevant IGM. The two senior PMs have a negative veto over any decisions and all decision-making must therefore be unanimous.

All investments also require a non-negative credit recommendation from the assigned credit analyst and in this way, analysts have negative veto over any assets they are asked to review. CCI's research group adopts twin "top-down" and "bottom-up" quantitative valuation approaches to pricing assets that involve a suite of different models.

CCI has developed and uses a proprietary internal quantitative credit rating model that involves a regression-based approach to quantifying the relationship between agency ratings and the financial performance of issuers. This model can provide objective credit ratings based on current financial data for Australian and global issuers. It is valuable for understanding when agencies are exercising qualitative judgements.

CCI's top-down models are "market-efficient" multi-factor regressions that assume current market prices are correct and precisely price the fair value of any given fixed or floating-rate bond based on its maturity, credit rating, capital structure position, industry sector, liquidity and various other factors. This method addresses the question: if market prices are generally correct (i.e. efficient), where exactly should the asset in question trade right now after accounting for all of its features/factors. They are very useful for exploiting real-time trading anomalies where asset prices temporarily deviate from their true market levels.

CCI's bottom-up methods are effectively "market-inefficient" techniques that ignore current asset prices as proxies for fair value and build a first-principles approach to pricing assets based on the underlying characteristics of both the issuer (e.g. equity, assets, liabilities, leverage, volatility, etc.) and the debt security (e.g. maturity, capital structure position, etc.). All these models attempt to accurately estimate any given asset's expected probability of default and the overall expected loss from which fair value credit spreads can thereafter be derived. They are thus more "value-orientated", or fundamentals-based, valuation techniques that are informative for both short-term and long-term investment opportunities.

### **Material Risks specific to the investment strategies**

Each of CCII's strategies involves risk, including the risk of loss. The value of an investment could fall, and investments may produce no income or lower income than expected. In addition to the risk of loss, the following material risks apply to any client investment portfolio managed by CCII according to these strategies:

**Market Risk.** The market value of the securities in which any such portfolio may rise or fall in response to the prospects of individual companies, particular sectors or governments and/or general economic conditions throughout the world due to increasingly interconnected global economies and financial markets. CCII invest in companies that CCII believes are undervalued. Such companies may never increase in price or may decline even further in value if the market disagrees with CCII's assessment of such a company's value.

**Regulatory Risk.** The risk that a government or regulator may introduce statutory or regulatory changes, or a court makes a decision regarding the interpretation of the law which adversely affects the value of securities held by CCII.

**Credit Risk.** Credit risk is the risk of actual or mark-to-market loss in the event of credit deterioration or downgrades of sovereign, sector (financial, corporate) or individual issuers impacting the price of the bonds in the investment manager's funds or mandates. In the extreme case, securities or cash instruments held by the funds may default on its payment obligations thereby reducing the value of the investment. Fixed income securities held in a portfolio are subject to the risk that security prices may fall over short or extended periods of time. The value of a portfolio's securities may fluctuate from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is a principal risk of investing in the strategies.

### **Securities selection risk (capital structure, sector/industry, geographic concentration).**

The sectors/industries and the where the investments sit in the capital structure of companies selected by CCII in pursuit of each strategy may decline in value or not increase in value even when the bond market in general is rising. To the extent that a portfolio focuses its investments in a particular country or geographic region, a portfolio may be more susceptible to economic, political, regulatory or other events or conditions affecting issuers and countries within that country or geographic region. As a result, a portfolio may be subject to greater price volatility and risk of loss than a fund holding more geographically diverse investments.

**Management Risk.** The risk of death, disability or departure of key investment professionals might have a

significant temporary impact on the CCII's performance, until suitable replacements are found. The ability to find replace or hire new staff members that possess a high level of relevant skills, experience and qualifications is a function of the demand and supply dynamics of the job market at the time of the search. A portfolio is also subject to the risk that CCII's judgments about the attractiveness, value, or potential appreciation of a portfolio's investments may prove to be incorrect. If the investments selected and strategies employed by a portfolio fails to produce the intended results, the portfolio could underperform in comparison to its benchmark index or other portfolios with similar objectives and investment strategies.

**Derivatives risk.** The funds and mandates may use derivatives for hedging purposes and primary risks associated with the use of derivative contracts are:

- Potential lack of liquidity of the derivative.
- Possibility that the derivative position is difficult or costly to manage or close out.
- The fund/s may not be able to meet payment obligations as they arise, including any requirements to make margin payments to the counterparty.
- The counterparty to the derivative contract may not meet its obligations under the contract.

To the extent that a portfolio engages in hedging strategies, there can be no assurance that such strategy will be effective or that there will be a hedge in place at any given time. In addition, there is a risk that a derivative used for hedging purposes may also limit any potential gain that may result from the increase in value of the hedged asset or portfolio. A portfolio's use of derivative contracts may also introduce counterparty risk and valuation risk. Valuation risk is the risk that the derivative may be difficult to value. The use of derivatives in a portfolio may also expose the fund to gains or losses in excess of the amount invested in a particular derivative (leverage risk), as well as the risk that a particular derivative may be difficult or impossible to sell at the time and the price that CCII would like (liquidity risk). Any of these risks, together or alone, could cause a portfolio to lose more than the total amount invested in a particular derivative instrument.

**Counterparty Risk.** There is a risk that a portfolio may incur losses, which may be substantial, arising from the failure of another party to a contract (the counterparty) to meet its obligations.

**Investment governance mandate rules breach risk.** This is the risk of CCII breaching its Investment Governance Mandate ("IGM") rules across its funds and mandates, notwithstanding internal controls in place including pre and post trade compliance restrictions/monitoring/reporting by the investment staff, the risk & compliance and investment committees, the responsible entities and external auditors of CCII's internal investment and information technology controls according to GS007 accounting standards (GS007 is a guidance statement issued by the Australian Auditing Standards Board and prescribes a minimum set of control requirements for service organisations offering investment management services).

**Statutory, regulatory (license) or contractual breach risk.** This includes the breach of relevant statutes (Corporations Act) and contracts with trade counterparties and other counterparties, the risk of breach of CCII's AFSL resulting in penalties or the withdrawal of the AFSL and inability to continue investment management of the retail and institutional funds/mandates.

**Technology and cybersecurity risk.** This is the risk of technology or cyber security failures or breaches

resulting in the potential compromise of client's privacy and the ability of CCII to properly and effectively manage its funds and mandates until such failures or breaches are remedied.

#### **Item 9 – Disciplinary Information**

CCII and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of CCII, or its directors, officers or employees.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

CCII and its directors, officers, employees are not registered, and do not have any applications pending to register, as broker-dealers, futures commission merchants, commodity pool operators or commodity trading advisors.

CCII does not have any material relationships or arrangements with futures or commodity merchants or advisors, bank, law or insurance firm or any other type of firm that CCII believes would create any material conflicts of interest with any clients.

CCII issues and manages Australian registered and unregistered pooled investment vehicles. CCII holds an Australian Financial Services License for the purposes of issuing and managing pooled investment vehicles within Australia and undertaking the provision of discretionary investment management services for institutional clients.

#### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

CCII has adopted a Code of Conduct which describes its standards of business conduct and its fiduciary duties to its clients. CCII's Conflict of Interest (Personal Trading) Policy governs the personal trading of CCII's supervised persons.

A copy of CCII's Code of Ethics and Conflict of Interest and other staff conduct-based policies (Embargo, Soft Dollar, Privacy, Intellectual Property, Anti-Money Laundering, Cybersecurity) is available on request.

CCII's supervised persons are required to report personal securities holdings quarterly, obtain pre-trade approval, and provide trade confirmations for all personal security transactions. Supervised persons are required to acknowledge in writing the terms of the Code of Ethics and Conflicts of Interest and other conduct policies at least annually, or as otherwise required by applicable law.

#### **Item 12 – Brokerage Practices**

CCII maintains a panel of approved brokers (in excess of 50 brokers) and may only place orders with these brokers. Approved brokers have been approved after the completion of due diligence (in accordance with CCII's Trade Management and GS007 policy) and will typically be with large global banks/financial institutions brokers which are materially compliant with applicable regulations, including rules promulgated by the Australian Securities and Investment Commission ("ASIC"), SEC and the Financial Industry Regulatory Authority, if applicable.

CCI uses numerous external brokers who can execute trades on our behalf on the Australian Stock Exchange ("ASX"), and who are paid fixed commissions of 1bps-10bps. Most ASX trades are executed at a cost of between 1bps and 5bps. There are no commissions paid in OTC fixed-income (market-makers earn spreads).

CCII will take all reasonable steps when placing trade orders with its approved brokers, to act in its clients' best interests taking into account some or all of the following execution factors; price, price improvement, cost, speed / immediacy, size, nature, liquidity, the broker's financial condition and reputation, quality of settlement process post execution, and execution certainty. CCII interacts with each of its brokers seeking to address issues as they arise. When CCII deems it to be appropriate, CCII will refrain from effecting client portfolio transactions through a broker until any material issues noted by CCII are resolved.

Per its Trade Management policy, CCII's non-executing senior PM performs an independent review semi-annually of commissions paid to brokers. Commissions paid to approved brokers are monitored by a non-executing Portfolio Manager and Director semi-annually and transaction costs analysis undertaken as required. Trade volumes and levels are reported to the portfolio management team on a daily basis. A detailed summary of all activity by counterparty and instrument is circulated to a non-executing Portfolio Manager as required.

CCII does not recommend, request or require that a client direct us to execute transactions through a specified broker/dealer, although CCII will follow a client's specific authorizations to do so.

Where possible, CCII may aggregate client orders for the same security on the same or similar terms, if the aggregation is in the best interests of all participating clients. Certain circumstances may affect or prevent an order from participating in an aggregated block transaction and, in the event of these circumstances, the block order will be placed alongside the individual order.

CCII may, subject to obtaining the approval of the mandate investor, switch securities between funds and mandates. Occasionally, some of the funds/mandates may have a number of exposures where they are overweight/underweight compared to their targets and would look to sell/buy bonds in the market. Rather than buying and selling securities in the market respectively to achieve these aims, it makes sense to arrange internal trades where there is buying/selling overlap. By switching internally at the mid-price of the market, each account avoids paying a wide bid/offer spread if it were to trade externally. Such switches are processed at the COB mid-market price to ensure equity for each account. As part of CCII's Trade Management Policy, CCII is required to seek approval of the client or responsible entity whenever CCII does an internal trade.

Where aggregated client orders are partially filled, the orders are allocated across client accounts on a pro-rata basis relative to the original order size. In some instances, trades may not be able to be allocated using the Pro-Rata due to lot size restrictions, small execution, cash flows and liquidity and minimal parcel sizes.

### **Item 13 – Review of Accounts**

Each client account is usually managed within strict constraints to replicate a model portfolio. The Portfolio Managers will typically review the model portfolio daily, and the trading team ensures on a pre-trade basis that portfolio controls remain within the applicable model's limits.

Some separate accounts have specific client restrictions which may result in their account varying materially from a model portfolio. These accounts are reviewed daily on a pre-trade basis by the CCII trading team to

ensure adherence to the account's specific guidelines and restrictions. CCII's CRO monitor client accounts on a post-trade basis for compliance with account-specific investment guidelines and restrictions. Any transaction errors are rectified promptly. All material breaches are reported on a timely basis to the Risk & Compliance committee, rectified and reported promptly to clients.

The reporting requirements of separate account clients are typically governed by the Investment advisory agreement between CCII and the client, and clients are typically provided with reports on a monthly or quarterly basis. Typical client reporting requirements include performance, portfolio holdings and transaction information. CCII has dedicated client-reporting personnel that ensure that clients receive their applicable written reports within the timeframes required.

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

CCII pays a commission to its contracted capital partners/distributors for client referrals.

#### **Item 15 – Custody**

All advisory assets are held by a qualified custodian nominated by the client or investment adviser. Qualified custodians include banks, fund administrators/custodians, futures and commission merchants and foreign financial institutions that routinely hold financial assets for their customers.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains the client's investment assets. CCII advises clients to review such statements and compare such official custodial records to the account statements that CCII may periodically provide. CCII's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

The agreement between the client and CCII will stipulate the investment discretionary authority that CCII will have over the client's account. CCII's discretionary authority may be subject to limitations, restrictions, or guidelines imposed by the client, as well as limitations imposed by applicable law.

In all cases, however, such discretion is exercised in a manner consistent with the stated investment objectives and restrictions for the particular client account. When selecting securities and determining amounts, CCII observes the investment policies, limitations and restrictions of the clients it advises. For registered investment company clients, CCII's authority to trade securities may also be limited by certain laws that require diversification of investments.

#### **Item 17 – Voting Client Securities**

CCII will exercise voting rights when CCII has the authority to do so. The authority will usually be governed by the investment advisory agreement between CCII and the client.

CCII exercises the voting powers in respect of its clients' securities in the best interest of all clients.

CCII will generally exercise its voting discretion to ensure companies act in the best interest of their shareholders, improve the corporate governance of portfolio companies, or advance clients' investment objectives. CCII uses its best efforts to vote proxies, however in certain circumstances it may be impractical or not possible to do so.

In exercising its voting rights, CCII will consider relevant legal and ethical matters, such as whether there may be any actual or potential conflicts of interest in exercising voting rights. Where material conflicts of interest arise, the proxy voting issue may be considered by CCII's Risk & Compliance committee.

**Item 18 – Financial Information**

CCII has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.