



**FORM ADV PART 2A  
FIRM BROCHURE**

**March 29, 2011**

This brochure (“brochure” or “Part 2A”) for clients and prospective clients of Marsico Capital Management, LLC (“MCM”) provides information about the qualifications and business practices of MCM. If you have any questions about the contents of this brochure, please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.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.

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

## **Item 2. Material Changes**

MCM has made certain material changes from the last annual update of its brochure (previously designated “Form ADV Part II”) dated March 31, 2010. These include:

- This brochure dated March 29, 2011 is a newly revised document prepared in accordance with the SEC’s new requirements and rules for Form ADV Part 2A. As a result, this brochure is materially different in structure from the previous brochure dated March 31, 2010 and subsequently updated October 14, 2010. Many of the revisions involved the reorganization of information disclosed in the previous brochure. This revised brochure also contains certain new information not required in earlier versions. Please see **Item 3: Table of Contents** for an outline of the information provided in this brochure and where it appears in this document. In future updates, this Item 2 will contain a summary of the specific material changes made to the brochure since its last update.
- Pursuant to the new SEC disclosure requirements, MCM also has added new supplemental forms known as Form ADV Part 2B, which provide information about MCM’s portfolio managers having investment discretion over client accounts. The Part 2B forms are attached to this Part 2A.
- On October 14, 2010, MCM supplemented Item 14 of Schedule F to its then current Form ADV Part II to describe a pending recapitalization of certain long-term debt obligations incurred by MCM’s former parent companies. As discussed more fully in **Item 18: Financial Information** in this brochure, the recapitalization closed successfully on November 10, 2010, and resulted in a number of favorable changes in the parent companies’ capital structure and simplification of their corporate structure.

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#### **Item 4. Advisory Business**

##### **Description of MCM**

MCM is an independent Colorado-based investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). MCM manages growth equity assets as an investment adviser or sub-adviser for a diverse group of clients, including mutual funds, variable annuity funds, offshore and private funds, sovereign wealth funds, collective investment and common trust funds, corporate retirement plans, endowments, foundations, tax-exempt and charitable institutions, municipalities, Taft-Hartley plans, wrap account programs, retirement accounts, and other institutions and individuals.

Founded by Thomas F. Marsico in 1997, MCM was an affiliate of Bank of America Corporation (“BofA”) from 1999 to 2007. In a 2007 repurchase transaction, a company controlled by MCM’s management purchased MCM from a subsidiary of BofA, and MCM became an independent firm owned by its management through a parent company structure. In a November 2010 recapitalization, MCM’s parent companies reduced the debt they had incurred to facilitate the 2007 transaction, resulting in a number of favorable changes to the parent companies’ capital structure and simplification of their corporate structure.

##### **Principal Owners of MCM**

MCM is a direct, wholly-owned subsidiary of Marsico Subco, LLC, which is a direct, wholly-owned subsidiary of Marsico Holdings, LLC. Marsico Holdings, LLC, in turn, is a subsidiary of Marsico Group, LLC, which owns 51% of the equity interests of Marsico Holdings, LLC. Marsico Group, LLC is wholly owned by MCM management, including present and former MCM employees and their family interests.

The principal owner and managing member of Marsico Group, LLC is a partnership controlled by Thomas F. Marsico, MCM’s founder, Chief Executive Officer, and Chief Investment Officer and his family. Through the family partnership, Mr. Marsico and his family retain complete voting control over matters pertaining to the ongoing management and day-to-day operations of MCM as a result of their control of Marsico Group, LLC, the managing member of Marsico Holdings, LLC.

The remaining approximately 49% of the equity interests of Marsico Holdings, LLC is owned by various institutional investors and other third parties, and by Thomas F. Marsico and family interests. Because equity interests in Marsico Holdings, LLC do not include voting rights over matters pertaining to the ongoing management and day-to-day operations of Marsico Holdings, LLC or its subsidiaries including MCM, interests in Marsico Holdings, LLC are not considered voting securities under pertinent securities laws. As a result, third party owners of interests in Marsico Holdings, LLC are not affiliated persons of MCM or its affiliates under applicable securities laws. Equity interests in Marsico Holdings, LLC may at times be transferred by their holders to certain other persons consistent with applicable securities laws and agreements.

None of MCM’s affiliated companies are public companies, broker-dealers, or investment advisers, are substantially involved in MCM’s day-to-day business operations, or are otherwise significant for regulatory purposes.

One affiliate, Marsico Fund Advisors, L.L.C. (also owned by Marsico Subco, LLC), serves as the general partner of a private investment limited partnership, the Marsico Focused Growth Fund, L.P. (the “Private Fund”), which MCM serves as investment adviser.

### **Types of Advisory Services Provided by MCM**

MCM manages growth equity assets as an investment adviser or sub-adviser for a diverse group of clients as described above.

As discussed further in **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**, MCM invests client portfolios in growth equity assets using seven primary strategies, which currently consist of:

- Focused Growth
- Diversified Growth
- All Cap Growth
- International Growth
- Global Growth
- Emerging Markets
- Flexible Capital

MCM seeks to accommodate reasonable client-specified guidelines and restrictions, and may invest accounts based on modified strategies for particular clients.

As discussed further in Item 8 below, MCM primarily uses top-down and bottom-up fundamental methods of analysis in implementing its growth equity investment strategies for accounts it advises or sub-advises on behalf of clients.

MCM does not generally manage portfolios based on alternative, quantitative, asset allocation, long-short, risk-neutral, absolute return, or similar strategies, or manage portfolios that focus significantly on derivatives, commodities, or “socially responsible” investment mandates. MCM does not use quantitative filters or screens to develop its universe of investable securities. MCM also does not utilize optimization techniques in portfolio construction, or target tracking error levels, standard deviations, or other such metrics.

### **Investment Companies and Private Accounts**

With respect to U.S. registered investment company clients served by MCM such as mutual funds and variable annuity funds, those portfolios are identified below in **Item 10: Other Financial Industry Activities and Affiliations**. MCM may also provide services to common

trust funds, collective investment schemes, and pooled investment vehicles that are formed or registered in foreign countries. MCM may provide services to an entire fund or portfolio or to one sleeve of a fund or portfolio.

The fees for MCM's advisory services to these clients are generally negotiated with each investment company or, in those instances in which MCM acts as sub-adviser, the principal investment adviser on some occasions. The prospectus for each investment company client typically provides information about the advisory or sub-advisory services provided to it, and fees generally payable to MCM.

With respect to non-fund clients such as sovereign wealth funds, corporate retirement plans, endowments, foundations, tax-exempt and charitable institutions, municipalities, Taft-Hartley plans, wrap account programs, retirement accounts, and other institutions and individuals, MCM generally provides services to these clients through separately managed accounts for each of them ("Private Accounts").

As noted above, MCM also provides advisory services to the Private Fund pursuant to an agreement with Marsico Fund Advisors, L.L.C., a limited liability company that serves as the general partner of the Private Fund.

### **Wrap Fee Programs**

MCM also provides investment management services to wrap fee programs by serving as investment manager (or as sub-adviser to the manager) of wrap participant accounts or model portfolios. MCM does not sponsor any wrap fee programs.

In a wrap fee program, the sponsor (typically a broker-dealer or affiliated advisory firm) provides a bundle of services to client participants in return for a single fee that "wraps" around the various services. The services typically include assisting the participant in selecting one or more investment managers or investment strategies based on participant investment objectives, overseeing the services provided to the participant by each investment manager, paying each investment manager its management fee, and facilitating the execution of most portfolio trades directed by the investment manager through the sponsor or its affiliate. In return for these services, the participant pays a single "wrap" fee to the sponsor.

In certain programs such as unified or multi-discipline account programs, the sponsor takes a more active role and the investment manager a more passive role. In these arrangements, the sponsor typically obtains current model portfolios provided by multiple investment managers, blends them to create portfolios that the sponsor deems suitable for program participant clients, manages the blended portfolios for clients, and supervises trading in the portfolios.

MCM may serve as a sub-adviser to another investment manager, Columbia Management Investment Advisers, LLC ("CMIA"), a registered investment adviser affiliated with Ameriprise Financial, Inc., that contracts directly with the wrap program sponsor to serve as investment

manager, or MCM may instead serve as investment manager directly to wrap programs. (See response to **Item 10: Other Financial Industry Activities and Affiliations**, for more information on MCM's relationship with CMIA.)

In either type of arrangement, MCM performs certain services as manager or sub-adviser, such as maintaining and providing a model portfolio, and assisting in major trades such as large purchases or sales resulting from substantial changes in the model. CMIA, as manager or administrative service provider, generally manages (and trades for) each wrap program account in conformity with the model portfolio. In the case of unified or multi-discipline account programs, the sponsor itself manages and generally trades each account in conformity with models provided by multiple managers.

CMIA (with the help of service providers it may select) typically performs important client administrative services such as reviewing new account information, reviewing suitability matters based on participant profiles provided by wrap account sponsors, communicating with wrap account sponsors and clients, providing relevant disclosure information, including MCM's Form ADV, maintaining account files, monitoring security and cash levels in participant accounts, making routine trades to generally conform accounts where possible to a model portfolio, rebalancing accounts with cash flows, monitoring accounts for reasonable client restrictions, trade reconciliation, and handling other compliance and recordkeeping responsibilities.

MCM, through CMIA, also makes itself reasonably available for consultation with the sponsor and the participant or its representative, and considers reasonable participant account restrictions and other factors to facilitate the provision of individualized investment management services. MCM and CMIA reserve the right, in their sole discretion, to reject any wrap fee account referred to either of them for any reason, including, but not limited to, the participant's specific investment goals or account restrictions.

Wrap fee programs may offer certain advantages to participants, such as enabling smaller clients to obtain the services of MCM and other investment managers for accounts that would typically be too small to be managed as private accounts, and providing other services such as the monitoring and oversight of investment managers, the execution of trades for accounts, and the maintenance of custody of portfolio securities. Participants should be aware, however, that wrap account fees may at times be higher than the fees that other accounts might pay to retain MCM's services directly if such accounts met minimum thresholds for private accounts. The sponsor of the wrap program, not MCM, generally sets all fees, methods for calculating them, and the timing of wrap program payments, and determines the services to be provided to participants through the wrap program. (Participants generally should obtain a detailed description of services offered and fees paid under a specific wrap fee program from the sponsor of the program, or from Schedule H of the sponsor's Form ADV if applicable.)

Due to the structure of most wrap fee programs, which require the sponsor and multiple service providers to perform various interrelated functions in serving many participants, MCM generally does not provide the same level of comprehensive client relationship services to wrap

participants that it provides to other clients, including Private Accounts. For example, the wrap fee sponsor or another party (and not MCM or CMIA) is primarily responsible for ensuring that the services provided by CMIA or MCM as sub-adviser or investment manager are suitable for each participant's needs.

Wrap program participants are generally free to impose reasonable investment-related restrictions on the management of their accounts (which generally must be implemented by the sponsor rather than by MCM or CMIA for unified or multi-discipline account programs). Participants who impose multiple restrictions on the nature or type of securities held by their accounts should be aware, however, that because MCM follows a relatively concentrated strategy under which it selects a limited number of core equity holdings, MCM believes that substituting other securities for restricted core holdings may not be desirable. For this reason, MCM generally holds in the form of cash or cash equivalents any portion of a wrap account that a participant has restricted from investing in one or more of the core equity holdings selected by MCM. As a result, an account subject to participant restrictions may hold a higher percentage of its assets in cash or cash equivalents compared to other accounts that are not so restricted. This factor could have a negative (or positive) effect on the investment performance of a restricted wrap fee account compared to the performance of a similar account that is not so restricted. Wrap fees charged by sponsors to accounts with investment-related restrictions generally are not adjusted to reflect higher levels of cash held in such accounts.

MCM typically uses model portfolios to assist in directing the purchase or sale of similar securities for multiple wrap program participants who select MCM as sub-adviser or investment manager, subject to reasonable restrictions that a participant may propose (and the investment manager may or may not accept) as described above. An MCM portfolio manager or another member of MCM's investment or trading staff designated by a portfolio manager generally makes portfolio management decisions for model portfolios with consideration to relevant factors including, without limitation, changes made or contemplated for other client portfolios in a similar strategy, the applicability of relevant guidelines or restrictions, appropriate trade rotation or other trade ordering considerations that may be pertinent, and other factors discussed further in **Item 12: Brokerage Practices**.

As described further below in Item 12, MCM or CMIA generally are expected to direct most wrap program trades to the sponsor or the broker designated by the sponsor for execution, but may themselves execute trades with another broker in limited circumstances such as when MCM believes that best execution may be available through a different broker, as described further below. (MCM and CMIA generally have little involvement in trading for unified or multi-discipline account programs.) The quality of trade executions for wrap programs may vary substantially, as described further in Item 12.

Wrap fee programs to which MCM provides investment management services directly or indirectly (as sub-adviser to CMIA) include, without limitation:

- Consulting Services Selects® Sub-advisory Program, co-sponsored by Bank of America, N.A. and Banc of America Investment Advisors, Inc.
- Investment Advisory Service Program, sponsored by Oppenheimer Asset Management
- ACCESS Advisory Program, sponsored by UBS Financial Services, Inc.
- Strategic Wealth Portfolios Program, sponsored by UBS Financial Services, Inc.
- Managed Account Select® Program, sponsored by Charles Schwab & Co., Inc.
- Fiduciary Services Program, sponsored by Morgan Stanley Smith Barney LLC through its Smith Barney channel
- Unified Managed Account Program, sponsored by Managed Account Advisors LLC

For its services as sub-adviser to CMIA or as investment manager to wrap fee programs, MCM receives a fee in the general range of 0.50% or less of the assets (on an annual basis) that MCM sub-advises or manages under the wrap fee program. The amount of the fee depends on factors that include, without limitation, the size of the program, the management style selected, and the nature and extent of the services performed by the sponsor, MCM, and CMIA.

## **Assets Under Management**

As of February 28, 2011, MCM managed approximately \$52 billion on behalf of discretionary accounts. MCM did not manage non-discretionary accounts as of that date.

## **Item 5. Fees and Compensation**

As noted in **Item 4: Advisory Business** and **Item 7: Types of Clients**, MCM serves as investment adviser or sub-adviser for a diverse group of clients, some of which include U.S. registered mutual funds and variable annuity funds, common trust funds, collective investment schemes, and pooled investment vehicles that are formed or registered in foreign countries.

With respect to these types of investment company-related clients, MCM negotiates fees for its advisory services with each investment company and, in those instances in which MCM acts as sub-adviser, the principal investment adviser on some occasions. The prospectus for each investment company client typically provides information about fees generally payable by the investment company or its principal investment adviser, and other matters.

With respect to non-fund Private Account clients such as sovereign wealth funds, corporate retirement plans, endowments, foundations, tax-exempt and charitable institutions, municipalities, Taft-Hartley plans, retirement accounts, and other institutions and individuals, the following standard fee schedules generally apply, subject to exceptions negotiated at MCM's discretion:

Domestic Equity Account (includes large-cap Focused Growth and Diversified Growth strategies, and the All Cap Growth strategy):

For assets up to \$5,000,000:

First \$1,000,000	2.0% per annum
Next \$2,000,000	1.5% per annum
Next \$2,000,000	1.0% per annum

For assets between \$5,000,000 - \$100,000,000:

First \$50,000,000 (including first \$5,000,000)	0.75% per annum
Next \$50,000,000	0.65% per annum

For assets over \$100,000,000:

First \$300,000,000 (including first \$100,000,000)	0.50% per annum
Next \$100,000,000	0.45% per annum
Next \$100,000,000	0.40% per annum
Over \$500,000,000	Negotiable

Flexible Capital Account:

For assets up to \$100,000,000:

First \$25,000,000	0.85% per annum
Next \$25,000,000	0.75% per annum
Next \$50,000,000	0.65% per annum

For assets over \$100,000,000:

Negotiable

International Growth Account:

For assets up to \$100,000,000:

First \$50,000,000	0.85% per annum
Next \$50,000,000	0.75% per annum

For assets over \$100,000,000:

First \$300,000,000 (including first \$100,000,000)	0.60% per annum
Next \$100,000,000	0.55% per annum
Over \$400,000,000	Negotiable

Global Growth Account:

For assets up to \$100,000,000:

First \$50,000,000	0.75% per annum
Next \$50,000,000	0.65% per annum

For assets over \$100,000,000:

First \$300,000,000 (including first \$100,000,000)	0.55% per annum
Next \$100,000,000	0.50% per annum
Over \$400,000,000	Negotiable

Emerging Markets Account:

For assets up to \$50,000,000:

First \$5,000,000	1.50% per annum
Next \$5,000,000	1.25% per annum
Next \$15,000,000	1.00% per annum
Next \$25,000,000	0.85% per annum

For assets over \$50,000,000:

Negotiable

**Calculation of Fees**

Private Account clients are expected to pay fees to MCM quarterly in arrears, generally within 30 days after receipt of a fee invoice. MCM or a third party selected by the client, such as a custodian, calculates the fees, typically making a separate calculation for each month during the quarter. The parties generally use the market value of the Private Account on the last business day of the month as the baseline for the fee calculation for that month. The source of the account valuation generally is either MCM or the client's custodian, as the client may specify. The methods used by MCM in pricing the securities in a portfolio when it is responsible for doing so are discussed further at the end of this Item 5.

MCM generally pro-rates the first and last month's fees based upon the number of days the Private Account was open during that month. To minimize computational complexity, MCM generally does not pro-rate fees for contributions or withdrawals of account assets within a single billing period.

Consistent with Rule 205-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act"), MCM or its affiliates may negotiate performance-based fees with certain Private Accounts or other accounts, as reflected in their advisory contracts. MCM does not currently receive any performance fees for management of accounts.

MCM generally does not formally calculate the value of mutual fund portfolios it advises or sub-advises or the fees payable to MCM for serving those portfolios. Instead, those calculations are

made by each mutual fund's independent custodian or fund accountant, based on market prices for portfolio securities that are obtained from independent pricing services in accordance with each fund's own pricing policies.

**Other Types of Fee Arrangements.** As noted above in **Item 4: Advisory Business**, MCM also provides investment advice to the Private Fund, a private limited partnership generally intended for tax-exempt institutional investors, for which an affiliated person of MCM, Marsico Fund Advisors, L.L.C. ("MFA"), serves as general partner. In return for providing investment advice to the Private Fund, MCM is paid a fee based on an annual, pre-determined percentage of 0.50% of the total net assets of the Private Fund's portfolio.

In addition, MCM provides investment advisory services in the form of model portfolios (or similar services) to certain clients that use such portfolios in managing their own clients' portfolios. In return for these services, MCM is paid a fee based on an annual percentage of the total assets of accounts managed in accordance with MCM's recommendations.

**Special Fee Arrangements.** MCM reserves the right, in its sole discretion, to negotiate and to charge different fees not specified herein. Such fees may be charged for certain accounts based on, without limitation, the client's particular needs or requirements, the nature and size of the investment mandate, the nature and size of MCM's overall relationship with the client, overall financial conditions, investment goals, risk tolerance, restrictions, and other factors, or for new, special, or additional services not described herein.

**Direct Billing compared to Direct Fee Deduction.** Clients may elect to be billed directly for fees, or may instead expressly authorize MCM to instruct the client's custodian to periodically deduct the agreed upon investment advisory fees directly from the client's account and pay the fees to MCM. For more information on direct fee deduction arrangements, please refer to **Item 15: Custody** below.

**Other Account Expenses.** MCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which generally are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by other investment advisers selected by the client, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to MCM's fee, and MCM does not receive any portion of these commissions, fees, and costs.

The factors that MCM may consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation are discussed further in **Item 12: Brokerage Practices** below. MCM is not affiliated with any broker-dealer. Neither MCM nor any of its supervised persons accepts compensation for the sale of securities or other investment products to clients, such as asset-based sales charges or service fees from the sale of mutual funds.

## **Pricing of Portfolio Securities**

With respect to accounts for which MCM is responsible for calculating fees, each fee calculation is intended to conform to the written fee schedule in the advisory agreement between MCM and the client, as well as MCM's valuation policies and procedures. In calculating the market value of portfolios for the purpose of calculating fees or otherwise, MCM prices assets in client portfolios in good faith consistent with applicable policies and procedures. Because clients compensate MCM on the basis of the value of assets held in client accounts, MCM may be deemed to have a hypothetical incentive to set a high market valuation for a security in those accounts for which it calculates the advisory fee. In practice, MCM does not knowingly use valuations that it believes are higher than the security's fair value.

As a general matter, MCM prefers to utilize securities and other financial instrument prices provided by independent pricing services. Pricing services occasionally provide inaccurate prices because of factors such as technical glitches, a closing price or quotation representing an earlier or less reliable value, or a market aberration. MCM may choose to override a price provided by an independent pricing service when it believes the price provided is not representative of a security's current market value, or when more reliable market prices may be available from other sources such as other pricing services or broker-dealers. As discussed further below under "Fair Valuation of Portfolio Securities," MCM also may fair value price a security when reliable market quotations are not readily available or for other reasons.

## **Fair Valuation of Portfolio Securities**

MCM may fair value price a security or other asset in the Private Fund or in a Private Account (or suggest that a mutual fund client use fair valuation procedures) in certain circumstances such as when reliable market quotations for a portfolio security are not readily available from an independent pricing service, or when MCM has reason to believe that a market price provided may be stale or unreliable. This may occur, for example, when a newly-issued security has not yet begun to trade on public markets; when a security ceases to trade for a limited time; when a security is illiquid, thinly traded, or otherwise difficult to value; when a corporate action is announced; or when a significant event such as substantial market volatility raises questions about the reliability of previously-determined closing market quotations for foreign securities.

MCM uses its good faith judgment to determine whether a "significant event" has occurred or whether a valuation is not readily available or is unreliable, and to determine fair value prices for securities. Although it uses its best efforts in valuing such securities, its judgments could in hindsight prove to be incorrect at times.

When fair value pricing appears necessary, MCM fair value prices securities and other assets in good faith consistent with its applicable policies and procedures. MCM generally convenes its Pricing Review Committee to assist it in fair value pricing if feasible. MCM seeks to determine in good faith the price that a client might reasonably expect to receive from the current sale of the security or other asset in an arm's-length transaction. MCM may use a variety of

methodologies based on its own analysis, or rely on third-party service providers such as broker-dealers that have agreed to make a market in the shares, pricing services, or specialized trading markets for securities to assist it in determining fair valuations. Examples of factors that may be considered include the nature and type of security or other asset, the marketplace in which the security trades, the pricing and trading history, if any, of the security and similar assets, and the use of valuations based on factors such as discounted cash flows. MCM may also take other actions deemed appropriate in the circumstances by members of its Pricing Review Committee.

Fair value pricing is intended to yield a good faith approximation of the current value of an asset, and cannot be guaranteed to reflect the actual or empirical value of any asset, as determined later with the benefit of hindsight. The valuation process may not always allow MCM to correctly estimate the fair value of an asset, and price adjustments could prove incorrect in direction or magnitude. For example, the fair value assigned to an asset typically may not match the next available reliable market price, the price at which that asset could have been sold, the cost paid for the asset, or the proceeds realized by an account upon the disposition of the asset. Further, the fair value may not reflect certain other developments that may occur prior to the next day's opening price.

**Item 6. Performance-Based Fees and Side-By-Side Management**

Not applicable. MCM does not currently receive any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) for managing accounts, but reserves the right to negotiate such fees with certain clients.

**Item 7. Types of Clients**

MCM manages growth equity assets as an investment adviser or sub-adviser for a diverse group of clients including mutual funds, variable annuity funds, other pooled investment vehicles including domestic and offshore public and private funds, sovereign wealth funds, collective investment funds, common trust funds, corporate retirement plans, endowments, foundations, tax-exempt and charitable institutions, municipalities, Taft-Hartley plans, unified and separately managed wrap account programs, retirement accounts, and other institutions and individuals.

MCM generally requires a minimum initial investment of \$50 million to \$100 million to establish a new separately managed account in its Focused Growth, Diversified Growth, All Cap Growth, Global Growth, or International Growth strategies. Minimum initial investments for a new separately managed account in MCM's Flexible Capital or Emerging Markets strategies generally range from \$10 million to \$25 million. Different thresholds may apply to investment companies and wrap program sponsors. The Private Fund generally requires a minimum initial investment of \$5 million, and investors generally must be tax-exempt institutions that are Qualified Purchasers as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act") and the rules thereunder, and must meet other requirements.

MCM may waive these minimum account size requirements in its sole discretion on a case-by-case basis. MCM reserves the right to decline to accept any new client or to decline to continue to provide investment advisory services to any existing client for any reason.

Regarding wrap account programs, minimum investment or account values required to engage MCM as a discretionary manager (or sub-adviser to CMIA) vary from one program sponsor to another. In certain circumstances, these minimum requirements may exceed general program minimums imposed by the relevant sponsor. MCM generally does not retain the authority to waive sponsor-imposed minimums.

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

#### **Investment Strategies**

Primary Strategies. Please refer to the section of **Item 4: Advisory Business** entitled, “Types of Advisory Services Provided by MCM” for a discussion of MCM’s primary investment strategies.

Investment Universe. MCM’s investment strategies involve buying and selling U.S. and foreign growth equity securities based in countries around the world. MCM’s equity investment universe includes as many as 700 large-cap and mid-cap companies and selected small-cap companies at times.

Core Investments. The core investments of a client portfolio (*i.e.*, the primary investments held by the account over time) generally may include common stocks of established companies and securities that are expected to offer long-term growth potential. However, client portfolios also may typically include securities of less mature companies, securities with more aggressive growth characteristics, and securities of companies undergoing significant positive developments, such as the introduction of a new product line, the appointment of a new management team, or an acquisition. MCM’s investment strategies also may consider whether a particular security or other investment potentially offers current income.

Other Investments. MCM may also purchase other types of securities on behalf of its clients, including, but not limited to, convertible securities, preferred stocks, index-linked securities, equity-linked, credit-linked, and commodity-linked securities, investment company securities, including exchange-traded funds, exchange traded notes or unit investment trusts, private placements, closed-end funds, obligations issued or guaranteed by domestic or foreign governments, Real Estate Investment Trusts (“REITs”), mortgage-backed and other asset-backed securities, other pass-through securities, participation interests, trust-preferred securities, high-yield securities, money market or similar cash equivalent instruments including, but not limited to, discount notes or other obligations of federal agencies or government-sponsored enterprises, commingled short-term investment funds, bankers’ acceptances, repurchase and reverse repurchase agreements, straight coupon securities, strip bonds, zero coupon securities, paid-in-kind, step coupon, or variable and floating rate obligations, standby commitments, tender option bonds, inverse floaters, industrial development bonds, municipal lease obligations, Eurodollar

and Yankee dollar debt obligations, Brady bonds, foreign debt securities, foreign currencies, margin transactions, forward contracts, options or futures, including options or futures on currencies, single stock futures and narrow-based index futures, rights, warrants, swaps, including interest rate swaps, and swap-related products, hybrid instruments, indexed/structured securities, depositary or custodial receipts or shares evidencing ownership of an underlying domestic or foreign security (e.g., HOLDERS, or American, European, or Global Depository Receipts), tangible dividend enhanced common stock, foreign investment funds or trusts, passive foreign investment companies, and securities not readily marketable.

Securities may be purchased on a when-issued, delayed delivery, or forward basis. Although it is not a principal investment strategy of the firm and such transactions occur infrequently, MCM may sell “short” a security in certain situations.

MCM may also invest in securities issued by publicly traded partnerships or master limited partnerships (“PTPs/MLPs”). These entities are limited partnerships that are publicly traded on stock exchanges or markets such as the NYSE, NYSE Amex Equities, and NASDAQ. PTPs/MLPs often own businesses or properties relating to energy, natural resources or real estate, or may be involved in the film industry or research and development activities, among others. MCM may also invest client assets in limited liability companies that may or may not trade on public markets.

MCM may invest on behalf of clients in securities offered in a syndicated initial public offering (“IPOs”) or syndicated secondary or follow-on offering (together with IPOs, “syndicated offerings”). Because securities issued in many syndicated offerings are often priced at a discount to market value and opportunities to purchase shares in such offerings are often limited, potential conflicts of interest may arise in the allocation of such opportunities. As discussed more fully in response to **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** below, when syndicated offerings are suitable for more than one group of eligible clients, MCM follows an allocation policy that generally seeks to ensure that over the long term, each eligible client with the same or similar investment objectives will receive an equitable opportunity to participate meaningfully in syndicated offerings, and that no eligible client will be unfairly disadvantaged, subject to certain limitations discussed in Item 11 below.

**General Approach to Portfolio Management.** MCM’s trading strategies rely primarily on buying and holding equity growth securities with the expectation that the value of those securities will rise over time. MCM usually seeks to invest for the long term, purchasing securities for client accounts with the intention of holding those securities until the event which was identified as providing the impetus for earnings growth occurs. This may result in holding a security in a client portfolio for a year or more.

However, unexpected changes in macroeconomic conditions or company-specific considerations do occur and can prompt MCM to sell a security much sooner than originally planned. MCM may also choose to purchase and then sell a security within a very short period of time, if the portfolio manager(s) determines in his/her judgment that doing so is in the best interests of the

client(s). MCM may reduce or sell an investment if, in its opinion, a security's fundamentals change substantially, its price appreciation leads to substantial overvaluation in relation to MCM's estimates of future earnings and cash flow growth, or for other reasons.

Cash management is not a fundamental aspect of MCM's investment management approach, and cash levels in client accounts are typically a residual of the security selection process. MCM may temporarily increase cash levels in defensive situations, as permitted by client guidelines.

## **Methods of Analysis**

As noted above, MCM primarily uses top-down and bottom-up fundamental methods of analysis in implementing its growth equity investment strategies for accounts it advises or sub-advises on behalf of clients.

**Top Down Analysis.** In selecting investments for a client's account, MCM uses an approach that combines "top-down" macro-economic analysis with "bottom-up" security selection. The "top-down" approach may take into consideration macro-economic factors such as, without limitation, interest rates, inflation, monetary policy, demographics, the regulatory environment, and the global competitive landscape. Through this "top-down" analysis, MCM seeks to identify sectors, industries and companies that may benefit from the overall trends MCM has observed.

**Bottom-Up Analysis.** MCM then looks for individual companies or securities that are expected to offer earnings growth potential that may not be recognized by the market at large. In determining whether a particular company or security may be a suitable investment, MCM may focus on any of a number of different attributes that may include, without limitation, the company's specific market expertise or dominance; its franchise durability and pricing power; solid corporate fundamentals (*e.g.*, a strong balance sheet, improving returns on equity, the ability to generate free cash flow, apparent use of conservative accounting standards, and transparent financial disclosure); strong and ethical management; commitment to shareholder interests; reasonable valuations in the context of projected growth rates; current income; and other indications that a company or security may be an attractive investment prospect. This process is called "bottom-up" security selection.

As part of its fundamental, "bottom-up" research, MCM often visits with a company's management and conducts other research in order to gain as complete an understanding of the company as possible. MCM also prepares detailed earnings and cash flow models of some companies. These models may assist in projecting potential earnings growth and other important company financial characteristics under different scenarios. Each model is typically customized to follow a particular company and is generally intended to replicate and describe a company's past, present and potential future performance. The models may include quantitative information and detailed narratives that reflect updated interpretations of corporate data and company and industry developments. These models "deconstruct" a company product-by-product and division-by-division in order to gain as complete an understanding as possible of a stock's leverage points. The models include a variety of fundamentally driven investment

considerations, including: valuation, expected growth rate, slope of the growth curve (*i.e.*, the second derivative of growth), profit margins, sales growth, etc. Models are reviewed on an ongoing basis and may be adjusted for different market conditions.

**Sources of Information.** Some of the primary sources of information that MCM uses to evaluate securities include intensive fundamental hands-on analysis such as compiling and reviewing data such as container shipments, railroad volumes, beer consumption, advertising spending, credit card and mortgage delinquency trends, hotel occupancies and average room rates, shopping mall traffic, meetings with corporate management and others, company annual reports, prospectuses, filings with the SEC and company press releases and other corporate statements, internal earnings and cash flow models, general market commentary and analysis, more granular research materials prepared by others, financial newspapers and magazines, and other information sources.

### **Material Risks Associated with MCM's Investment Strategies and Methods of Analysis**

Investing in equity securities and similar investments involves the risk of loss, and clients and investors should be prepared to bear that risk. Investors should consider their investment goals, time horizon and risk tolerance before investing in the types of securities that MCM invests in on behalf of its clients. Investing in equity securities and similar investments can be riskier than other types of investments, including U.S. government securities, certain types of corporate debt obligations, bank certificates of deposits, certain money market investments, and others. Further, investments in growth equity securities or any similarly specific investment strategy do not represent complete investment programs. The investment portfolios advised or sub-advised by MCM are not guaranteed by any agency or program of the U.S. government or by any other person or entity, and investors can lose money.

This brochure discusses certain risks of investing in separate accounts managed by MCM. More information about the risks of investing in related products such as The Marsico Investment Fund, a registered open-end investment company that consists of seven separate portfolios (the "Marsico Funds"), are described in documents such as the Marsico Funds prospectus and statement of additional information, which can be viewed online at [www.marsicofunds.com](http://www.marsicofunds.com).

Some of the specific risks associated with MCM's investments in growth equity securities include, but are not limited to, the risks associated with domestic and foreign economic growth and market conditions, interest rate levels, credit conditions, the solvency of issuers such as governments and companies, volatility, and political events. There is a risk that MCM will not accurately predict the applicability or impact of these and other factors on markets or investments, and, as a result, MCM's investment decisions may not accomplish what they were intended to achieve. At times, investment portfolios advised or sub-advised by MCM may not perform as well as relevant benchmark indices or peer funds.

Investments in equity securities often involve more volatility than many other investments, and investors should expect that the value of their account(s) may rise and fall more dynamically

than some strategies that emphasize other types of investments. Overall stock market risks affect the value of the client accounts. Over time, market forces can be highly dynamic and can cause stock markets to move in cycles, including periods when stock prices rise generally and periods when stock prices decline generally. The value of an account's investments may increase or decrease more than stock markets in general.

MCM's investment approach may, at times, reflect a greater degree of volatility when compared to certain benchmarks or indices. Because it does not believe that closely hewing to benchmarks adds value to client portfolios, MCM's investment strategies do not seek to closely follow or mirror specific investment benchmarks or indices. Substantial divergences from benchmarks or indices in terms of country, sector and industry allocations, individual position sizes, and various quantitative portfolio measures (e.g., growth and value characteristics, tracking variance, beta) can be commonplace in MCM's strategies. Thus, the investment performance of client portfolios can be expected to reflect more volatility than certain benchmarks.

**Other material risks associated with investing in portfolios advised or sub-advised by MCM include:**

**Risks of Equity Securities.** MCM invests primarily in common stocks and other equity securities selected primarily for their long-term growth potential. As a result, investors bear the risks associated with common stock investing. These risks include, without limitation, the general risk that domestic and global economies and stock markets may go through periods of decline and cyclical change, the risk that the stocks and markets may experience periods of turbulence and instability, risks associated with natural or human-caused disasters, and the risk that MCM may select investment sectors, industries, or individual companies or securities that do not perform as anticipated or perform poorly.

A number of factors may affect the performance of an individual company's stock, such as the strength of its management, the demand for its products or services, the sector or industry it operates in, or other company-specific factors. As noted, MCM portfolios invest primarily in the securities of companies that are selected for their long-term growth potential. The value of such companies is, in part, a function of their expected earnings growth. Underperformance by a company may prevent the company from experiencing such growth, which may prevent a client's account from realizing the potential value anticipated by MCM when it selected those securities for the account.

MCM may also invest client assets in the common stocks or other equity securities (such as convertible securities or warrants) of companies that may pay dividends or other distributions as current income. Such companies could in some cases have less dynamic growth characteristics, or their securities may have less potential for gain than companies or securities that pay lower dividends or no dividends or other distributions. Dividends paid by these companies or securities may provide a limited cushion against a decline in the price of the stock. However, dividends paid by these companies may be reduced, suspended or terminated at any time.

Client assets may also be invested in convertible bonds or stocks or other securities that may be converted into equity securities. While the value of convertible securities depends in part on market activity, interest rate changes, and the credit quality of the issuers, the value of these securities will also change based on changes in the value of the underlying equity securities. Income paid by a convertible security may provide a limited cushion against a decline in the price of the security. However, when underlying common stocks appreciate, convertible securities may appreciate to a lesser degree. Also, convertible bonds generally pay less income than non-convertible bonds.

Risks of Foreign Investing. Client assets may be invested in foreign securities. Investments in foreign securities involve risks that may be different from the risks associated with domestic securities, and can be riskier than U.S. investments for a variety of reasons such as, without limitation, less stable international political and economic conditions, sovereign solvency considerations, currency fluctuations, foreign controls on investment and currency exchange, foreign governmental control of some issuers, potential confiscatory taxation, nationalization of companies or expropriation of assets by foreign governments, withholding taxes, limits on repatriation of assets, a lack of adequate company information, less liquid and more volatile exchanges and/or markets, ineffective or detrimental government regulation, varying accounting standards, political or economic factors that may severely limit business activities, and legal systems or market practices that may permit inequitable treatment of minority and/or non-domestic investors. As a result of these and other factors, the values of securities of foreign issuers may be subject to greater price fluctuation than securities of U.S. companies.

Because there is less publicly available information about foreign companies, it may be more difficult for MCM to keep currently informed about foreign corporate actions such as acquisitions or divestitures, rights offerings, dividends, foreign legal or compliance developments, requirements or restrictions, or other matters which may affect the value of portfolio securities. Foreign issuers also may impose burdensome proxy voting requirements that may prevent or discourage the exercise of voting rights.

Clients should recognize that foreign stock markets are not as large or liquid as those operating in the United States, and often have different clearance and settlement procedures. In certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct transactions or causing trades to fail. Failed trades or inability to dispose of portfolio securities due to settlement problems either could result in losses due to subsequent declines in value of the portfolio security or, if MCM has entered into a contract to sell the security, could result in a possible liability for non-delivery. Payment for securities without delivery may be required in certain foreign markets. Further, MCM may encounter difficulties or be unable to pursue legal remedies and obtain judgments in foreign courts.

Arrangements with foreign custodians are generally necessary to hold assets in foreign countries and these arrangements may pose potential risks. A foreign bank or securities depository or other custodian may maintain internal controls that differ from those customarily applicable to

U.S. custodians, may face less stringent regulatory scrutiny, and may be subject to less extensive legal or financial protections for asset holders.

Because investments in foreign securities will often be valued in foreign currencies, the value of the assets of a client account as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations, and a client may incur costs in connection with conversions between various currencies made to facilitate trades or for other purposes. Foreign currencies must typically be bought and sold in order to settle trades in foreign securities.

Emerging Market Securities. Emerging market securities are securities of issuers economically tied to emerging markets. Emerging markets are countries listed in the Morgan Stanley Capital International (MSCI) Emerging Markets Index as well as those that MCM considers to have an emerging market economy or frontier market economy, based on factors such as the development of the country's financial and capital markets, its political and economic stability, level of industrialization, trade initiatives, per capita income, gross national product, credit rating, or other factors that MCM believes to be relevant.

Investing in emerging market securities involves greater risks than investing in U.S. securities or even securities issued by entities in other developed countries. Potential increased risks may include, among others, greater political and economic instability (including elevated risks of war, civil disturbances, and acts of terrorism), temporary restrictions on investments, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies, sovereign solvency concerns, immature market structures, greater volatility in currency exchange rates, unavailability of currency hedging techniques, reduced securities liquidity, possible trade barriers, currency transfer restrictions, fewer potential investors, an emerging market country's dependence on revenue from particular commodities or dependence on international aid, greater governmental control over issuers and economies, price controls, less governmental supervision and regulation, companies that are newly-organized, smaller and less seasoned, differences in auditing and financial reporting standards which may result in diminished availability of material information about issuers, and less developed legal systems. These factors can make emerging market investments more volatile and less liquid than investments in developed markets.

Investments in emerging markets may also involve other risks such as immature economic structures and less developed and more thinly-traded securities exchanges and markets. Many emerging market securities exchanges are relatively small, have low trading volumes, impose burdensome investment or trading requirements, suffer periods of relative illiquidity, or are characterized by significant price volatility. Pricing and other valuation information for issuers economically tied to emerging markets may be more difficult to obtain as compared to the securities of issuers tied to developed countries.

Certain emerging market countries have enacted measures that tend to discourage or prevent direct foreign investments, including through procedural obstacles or through the imposition of far reaching and onerous taxation regimes. To the extent that some emerging market countries

may enact provisions with the effect of discouraging direct investment in those markets by foreign investors, an account's performance could be materially affected by limitations or costs associated with its inability to invest directly in the securities of issuers located in those countries. To the extent that direct investments are possible, the costs of such investments may be greater as compared to other foreign market countries (or the U.S.). Repatriation of investment income, capital, and the proceeds of sales by outside investors may be more difficult, and may require governmental registration and/or approval in some emerging market countries.

Sovereign solvency concerns or devaluation may materialize subsequent to investments in securities denominated in these currencies. Inflation has had and may continue to have negative effects on the economies and securities markets of certain emerging market countries.

Risks of Currency Fluctuations and Currency Transactions. MCM generally purchases or sells foreign currencies for client accounts to settle transactions in portfolio securities that are denominated in those currencies, and may make other investments relating to foreign currencies for hedging purposes or otherwise. Account performance may be materially affected positively or negatively by foreign currency strength or weakness relative to the U.S. dollar, depending upon the extent to which a client account invests its assets in foreign securities or other assets denominated in currencies not tightly pegged to the U.S. dollar. Changes in foreign currency exchange rates will affect the value of an account's portfolio securities and thus, the account's overall value.

Generally, when the value of the U.S. dollar rises relative to a foreign currency, an investment in an issuer whose securities are denominated in that country's currency (or whose business is conducted principally in that country's currency) loses value, because that currency is worth fewer U.S. dollars. Conversely, when the U.S. dollar declines in value relative to a foreign currency, the value of investments denominated in the foreign currency may increase in relative terms. Devaluation of a currency by a country's government or banking authority also may have a significant impact on the value of any investments denominated in that currency. The risk that these events could occur may be heightened in emerging markets. Currency markets generally are not as regulated as securities markets.

Foreign exchange dealers typically do not charge an explicit fee or commission for U.S. dollar/foreign currency conversion transactions, but instead realize a profit based on the difference (the "spread") between the prices at which they buy and sell currencies in the market and the prices transacted with MCM on behalf of clients. Depending upon a number of factors, including client guidelines, foreign currency exchange transactions are conducted either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward foreign currency exchange contracts or purchasing or writing put or call options on foreign currencies. MCM monitors the foreign exchange transactions that it executes for clients. MCM is generally unable to monitor or determine whether best execution has occurred in foreign exchange transactions that are executed by other service providers, such as transactions executed by client-designated custodians, including transactions relating to certain corporate activities such as dividend repatriations.

Risks of Small- and Mid-Capitalization Company Investing. Investments in small- and mid-capitalization companies can involve more risk than investments in large capitalization companies. Normally, these types of companies have more limited markets or product lines, less access to capital markets, and often more limited trading in their stocks. This can cause the prices of equity securities of these companies to be more volatile than those of large capitalization companies, or to decline more significantly during market downturns than the market as a whole.

Risks of Fixed Income and Variable Income Investing. MCM client accounts may have a portion of their total assets invested in various types of fixed income and variable income securities. Although MCM is not required to seek current income or maintain any portion of an account in such securities, clients may bear the risks associated with fixed income investing and variable income investing. These risks include, without limitation:

Credit Risk: Client accounts could lose money if the issuer of a fixed or variable income security cannot meet its financial obligations, defaults, goes bankrupt, or renegotiates terms that are less favorable to investors.

Interest Rate Risk: The value of investments in fixed or variable income securities may fall when interest rates rise.

Prepayment Risk: Accounts that invest in income securities bear the risk that an issuer will exercise its right to pay principal on an obligation (such as an asset-based security) earlier than expected. This may happen during periods of declining interest rates. Under these circumstances, an account may be unable to recoup all of its initial investment or may receive a lower-than-expected yield from this investment and may be forced to reinvest in lower yielding securities.

High-Yield Securities: High-yield corporate debt securities with credit ratings that are below investment grade (also known as “junk bonds”) may be subject to potentially higher risks of default and greater volatility than other debt securities, including risks that the issuer may not be able to meet its obligation to repay principal or pay interest. These types of debt instruments are more susceptible to credit risk than investment-grade securities and are considered to be more speculative in nature than higher-quality fixed income securities. This is especially true during periods of economic uncertainty or during economic downturns. The value of these lower-quality debt securities is subject to greater volatility and is often more heavily dependent on the ability of the issuer to meet interest and principal payments than is the case for higher-quality securities. Issuers of high-yield securities may not be as strong financially as those issuing debt securities with higher credit ratings.

Federal Agency or GSE Securities: Regarding certain securities issued by federal agencies or GSEs (such as debt securities or mortgage-backed securities issued by Freddie Mac, Fannie Mae and the Federal Home Loan Banks), it is important to note that although the issuer may be chartered or sponsored by an Act of Congress, the issuer is not funded by Congressional

appropriations, and its debt and equity securities are neither guaranteed nor insured by the U.S. government. Without a more explicit commitment, there can be no assurance that the U.S. government will provide financial support to such issuers or their securities.

**Risks of Preferred Stocks.** Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the issuer of preferred stocks may not be required to pay a dividend and may stop paying the dividend at any time. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock also may be subject to optional or mandatory redemption provisions and an issuer may repurchase these securities at prices that are below their purchase price. Under these circumstances, a client account holding these preferred securities could lose money.

**Risks of REITS and Other Securities Backed by Real Estate.** The risks of investing in REITs and other securities backed by real estate, such as mortgage-backed securities and similar investments, include extraordinary weakness and volatility in recent years affecting mortgage-backed securities, derivatives, and other investments backed by real-estate related obligations issued by participants in housing finance, commercial real estate, and other real estate-related markets; widespread defaults in such investments; and major disruptions of and illiquidity in markets for such investments. Other adverse factors affecting REITs and other real estate-backed securities include past over-investment in and defaults on residential and commercial mortgages, the recent severe recession, weak economic conditions, and environmental and other considerations. In addition, when interest rates rise, real estate-related investments may react negatively, particularly investments that are highly exposed to floating-rate debt. To the extent that portfolio assets are invested in REITs, client accounts will indirectly bear their proportionate share of any expenses (such as operating expenses and advisory fees) paid by the REITs in which they invest.

**Risk of Concentrated Investing and Large Positions.** Client account portfolios managed by MCM tend to be relatively concentrated and often contain fewer securities than portfolios managed by other investment managers. Holding a relatively concentrated portfolio may increase the risk that the value of a client account could go down because of the poor performance of one or a few investments. In addition, because MCM may purchase relatively large ownership positions for multiple client accounts, disposing of such positions might at times be more challenging or take longer than it would for smaller positions, depending on market and trading conditions, which might in some circumstances affect an account's performance. Similarly, because MCM often purchases the same security for multiple accounts, it may take longer to accumulate the desired level securities in a particular account, which could result in some securities being purchased at higher prices (or not at all) than if that account received a full allocation initially.

**Risks of Derivatives and Other Investments.** MCM may also invest in options, futures and foreign currencies or currency forward contracts, and may enter into short sales of a security or

instrument that is currently in the account (or of a security equivalent in kind or amount to another security that the account has an existing right to obtain without the payment of additional consideration). If MCM engages in these practices, the intent may be to attempt to hedge all or a portion of a client's portfolio, or may be to serve another investment purpose. Investing in derivatives or engaging in short sales for hedging purposes or otherwise may result in certain transaction costs which may reduce account performance. In addition, no assurances can be given that derivative positions or short sales will achieve the desired correlation with the security or currency. Further, no assurances can be given that these investments or instruments will be used, or that, if used, they will achieve the desired results.

Account performance may be materially affected, positively or negatively, by its participation in other types of investments, including initial public offerings and other syndicated offerings of common stock or other equity or debt securities. These types of investments may have a magnified impact on an account's performance, especially with respect to smaller accounts. The impact on an account's performance from these types of investments would generally be expected to diminish as an account's assets grow. Whether an account participates in these types of investments is dependent on a variety of factors, and there can be no assurance that any account will participate in them.

Portfolio Turnover. Frequent trading of securities is not a primary characteristic of MCM's investment strategies. Portfolio turnover rates for some strategies may be greater than others due to the investment style of that particular account. A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes for taxable accounts. These costs can affect an account's overall performance.

#### **Item 9. Disciplinary Information**

Not applicable. MCM is not aware of any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of MCM or the integrity of MCM's management.

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

Financial Industry Activities of MCM and Its Affiliates. As discussed in **Item 4: Advisory Business**, MCM is an independent investment adviser whose sole business is investing primarily in growth equity securities and other investments for clients. MCM does not participate in other financial industry activities.

MCM's principal owners and certain other affiliates are identified in Item 4. As noted, none of MCM's affiliated companies are public companies, broker-dealers, or investment advisers, are substantially involved in MCM's day-to-day business operations, or are otherwise significant for regulatory purposes. One affiliate, Marsico Fund Advisors, L.L.C., serves as the general partner of the Private Fund, which MCM serves as investment adviser.

MCM not Affiliated with Third-Party Owners of Interests in One Parent Company. As discussed in Item 4, the institutional investors and other third parties that own approximately 49% of the equity interests issued by MCM’s indirect parent company, Marsico Holdings, LLC, are not affiliated persons of MCM or its affiliates under applicable securities laws.

Limited Business Relationships with Goldman, Sachs & Co. and Affiliates. MCM and its affiliates maintain certain business relationships with Goldman, Sachs & Co. and its affiliates (“Goldman”). Among other relationships, Goldman assisted in providing financing for a 2007 transaction in which a company controlled by MCM’s management purchased MCM from a subsidiary of Bank of America Corporation, and Goldman acquired debt securities and loan interests issued by MCM’s parent companies as a result. Goldman also participated in the 2010 debt recapitalization discussed in **Item 18: Financial Information**, in which debt holders exchanged existing debt for equity and new debt issued by a new parent company of MCM. As a result, certain Goldman affiliates including Goldman-advised investment funds own substantial equity interests in Marsico Holdings, LLC, the indirect parent company of MCM. As noted above and in Item 4, these equity interests are not considered voting securities under pertinent securities laws, and Goldman is not an affiliated person of MCM or its affiliates under applicable securities laws.

In the ordinary course of business, MCM may at times utilize Goldman’s brokerage services for MCM’s clients when this appears likely to result in best execution. These brokerage services may involve services such as, without limitation, Goldman’s execution of agency trades or principal trades involving Goldman’s own capital or securities, MCM’s purchasing securities for clients in offerings underwritten by Goldman, and MCM’s receipt of client commission benefits from Goldman.

Additionally, as part of routine investment decisions believed to be in the best interests of clients, MCM has periodically invested (and may continue to invest) client assets in shares of Goldman Sachs Group, Inc., the parent company of Goldman. MCM also may provide investment advisory services to Goldman or its affiliates.

Prior Affiliation with Bank of America Corporation (“BofA”). Following its founding by Thomas F. Marsico in 1997, MCM was an indirect affiliate of BofA from 1999 to 2007. In a 2007 repurchase transaction, a company controlled by MCM’s management purchased MCM from a subsidiary of BofA, and MCM became an independent firm owned by its management through a parent company structure. MCM has not been affiliated with BofA since 2007.

MCM and BofA retain certain operational, business and contractual relationships that existed between them prior to the 2007 transaction described above. For example, MCM provides investment advisory services to certain Private Accounts associated with or originated through BofA, and serves as investment manager to certain wrap account programs managed by affiliates of BofA including Merrill Lynch. BofA also agreed to continue to promote MCM’s business generally for a period of time after 2007.

MCM also maintains relationships with certain other clients initially obtained through its relationship with BofA. In 2010, Ameriprise Financial, Inc. (“Ameriprise”) acquired most of the long-term asset management business of BofA’s former Columbia Management Group, which Ameriprise combined with RiverSource Investments, LLC and redesignated as Columbia Management Investment Advisers, LLC (“CMIA”). As a result, MCM maintains business relationships with Ameriprise relating to MCM’s ongoing provision of advisory services to CMIA and its clients, including certain of the Columbia Funds, as well as other Ameriprise clients, and Ameriprise performs certain of BofA’s ongoing contractual obligations to MCM on behalf of BofA.

Related Investment Companies. MCM serves as investment adviser to The Marsico Investment Fund, a registered open-end investment company that consists of seven separate portfolios (the “Marsico Funds”) listed below:

- Marsico Focus Fund
- Marsico Growth Fund
- Marsico 21<sup>st</sup> Century Fund
- Marsico International Opportunities Fund
- Marsico Flexible Capital Fund
- Marsico Global Fund
- Marsico Emerging Markets Fund

MCM serves as investment sub-adviser to other investment companies sponsored by other firms. Some of the investment companies are registered under the Investment Company Act, while others may be registered in certain foreign jurisdictions. MCM may be considered an affiliated person of these investment companies for certain purposes as their sub-adviser, but does not control them or regard them as related persons. The U.S.-registered investment company portfolios for which MCM serves as sub-adviser include, without limitation:

- AST Marsico Capital Growth Portfolio, a series of the Advanced Series
- AST Advanced Strategies Portfolio, a series of the Advanced Series
- AST International Growth Portfolio, a series of the Advanced Series
- Multimanager Aggressive Equity Portfolio, a series of AXA Premier VIP Trust
- Multimanager International Equity Portfolio, a series of AXA Premier VIP Trust
- International Equity Investments, a series of the Consulting Group Capital Markets Fund
- Columbia Marsico Focused Equities Fund, a series of Columbia Funds Series Trust
- Columbia Marsico Growth Fund, a series of Columbia Funds Series Trust
- Columbia Marsico 21<sup>st</sup> Century Fund, a series of Columbia Funds Series Trust
- Columbia Marsico Global Fund, a series of Columbia Funds Series Trust
- Columbia Marsico International Opportunities Fund, a series of Columbia Funds Series Trust
- Columbia Multi-Advisor International Equity Fund, a series of Columbia Funds

Series Trust

- EQ/Large Cap Growth PLUS Portfolio, a series of EQ Advisors Trust
- Russell International Developed Markets Fund, a series of Russell Investment Company
- Non-U.S. Fund, a series of Russell Investment Funds
- Growth Equity Fund, a series of the GuideStone Funds
- Harbor Global Growth Fund, a series of Harbor Funds
- Harbor International Growth Fund, a series of Harbor Funds
- Harbor Flexible Capital Fund, a series of Harbor Funds
- ING Marsico Growth Portfolio, a series of ING Investors Trust
- International Opportunities Trust, a series of John Hancock Trust
- International Opportunities Fund, a series of John Hancock Funds II
- Masters' Select International Fund, a series of The Masters' Select Funds Trust
- Marsico Growth FDP Fund, a series of FDP Series, Inc.
- Columbia Marsico Focused Equities Fund, Variable Series, a series of Columbia Fund Variable Insurance Trust I
- Columbia Marsico Growth Fund, Variable Series, a series of Columbia Fund Variable Insurance Trust I
- Columbia Marsico 21<sup>st</sup> Century Fund, Variable Series, a series of Columbia Fund Variable Insurance Trust I
- Columbia Marsico International Opportunities Fund, Variable Series, a series of Columbia Fund Variable Insurance Trust I
- Columbia Marsico Flexible Capital Fund, a series of RiverSource Series Trust
- Optimum Large Cap Growth Fund, a series of Optimum Fund Trust
- Global Portfolio, a series of Prudential Series Fund
- SP International Growth Portfolio, a series of Prudential Series Fund
- Target Conservative Allocation Fund, a series of Target Asset Allocation Funds
- Target Moderate Allocation Fund, a series of Target Asset Allocation Funds
- Target Growth Allocation Fund, a series of Target Asset Allocation Funds
- Focused Alpha Growth Fund, Inc., a portfolio of SunAmerica Focused Alpha Growth Fund, Inc.
- Focused Alpha Large Cap Fund, Inc., a portfolio of SunAmerica Focused Alpha Large Cap Fund, Inc.
- Focus Growth Portfolio, a series of Season Series Trust
- Marsico Focused Growth Portfolio, a series of SunAmerica Series Trust
- Large Capitalization Growth Portfolio, a series of The Target Portfolio Trust
- International Equity Fund, a series of State Farm Mutual Fund Trust
- International Equity Fund, a series of State Farm Variable Product Trust
- PACE Large Growth Equity Investments, a series of UBS Pace Select Advisors Trust
- Multi-Manager Large Cap Fund, a series of Northern Funds
- Marsico Growth Fund, a series of RiverSource Variable Portfolio

**Related Persons That Serve Limited Partnerships.** A related person of MCM, MFA, provides certain services to the Private Fund as the general partner of the Fund. Existing or new clients of MCM that are tax-exempt institutional investors may be offered the opportunity to invest in the Private Fund as an alternative to other investment products that they have invested in or expressed interest in. Investors pay fees through charges against Private Fund assets, including advisory fees, fees for accounting, audit, legal, and other services, and other expenses of the Private Fund. MCM may solicit any eligible client or other person to invest in the Private Fund in a manner that is materially consistent with the private offering exemption under Regulation D of the Securities Act of 1933, as amended, or other applicable offering exemptions.

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

**MCM’s Code of Ethics and Other Policies Addressing Potential Conflicts of Interest**

In accordance with Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act, MCM and the Marsico Funds maintain a Code of Ethics (the “Code”) that is designed to minimize potential conflicts of interest stemming from the personal securities transactions of MCM employees (and members of their families) in light of employees’ involvement in directing or effecting securities transactions for MCM’s clients or obtaining information about securities holdings and transactions. The Code is based on the principles that MCM and its employees owe a fiduciary duty to MCM’s clients, and should place the interests of clients first, seek to avoid, to the extent reasonably possible, conflicts of interest or taking advantage of positions of trust, and conduct personal securities transactions in compliance with certain safeguards in the Code.

To minimize potential conflicts of interest involving personal investments, the Code generally prohibits MCM employees (and certain members of their families and other persons whose investments are attributed to employees) from purchasing certain types of securities that MCM regularly purchases or holds for clients, including publicly traded common stocks. The Code generally permits these persons to sell securities of this type only after pre-clearing the transaction, and only at times when MCM has not engaged in recent transactions in those securities and does not anticipate purchasing or selling the same securities for client accounts in the near future. The Code also addresses transactions by MCM employees (and family members and other persons whose investments are attributed to employees) in shares of the Marsico Funds through restrictions including requiring minimum holding periods and pre-clearance requirements for sales of Marsico Fund shares. Employees are generally prohibited from holding shares of mutual funds that are sub-advised by MCM.

Other provisions of the Code include restrictions on purchases or sales of other investments such as initial public offerings (“IPOs”) and private placements or other limited offerings, and requirements to regularly report personal transactions and holdings, facilitate MCM’s receipt of trade confirmations and broker account statements for personal accounts to assist in assuring compliance with the Code and recordkeeping, and periodically certify compliance with the Code.

The Code also requires officers and employees to obtain prior approval of service on the board of directors or in a similar capacity for any for-profit company or other for-profit organization, and restricts gifts and entertainment that employees may accept from or give to persons engaged in activities relating to MCM's business.

Penalties for violation of the Code by employees may range from a warning or reprimand to monetary penalties and/or termination of employment. MCM may periodically supplement or update its Code as appropriate to seek to ensure that it satisfactorily addresses relevant issues. MCM will provide a copy of its Code to any client or prospective client upon request.

In accordance with Section 204A of the Advisers Act and related rules, MCM also maintains an insider trading policy that includes procedures reasonably designed to prevent trading or disclosures by MCM's employees that might constitute the misuse of material, non-public information. Among other things, MCM's policy generally forbids any employee from buying or selling a security either personally or for any account managed by MCM while in possession of material, non-public information about the security or the issuer.

MCM believes that its insider trading policy, taken together with the Code's guidelines for avoiding prohibited acts, are reasonably designed to minimize potential trading-related and other conflicts of interest between MCM, its related persons, and their clients and related conduct that could raise questions. MCM expends considerable resources in maintaining and enforcing these policies and otherwise seeking to identify, evaluate, minimize, and disclose potentially significant conflicts of interest to clients in this Part 2A and other disclosure documents such as mutual fund prospectuses. However, clients should be aware that no set of rules can possibly anticipate or eliminate all potential conflicts of interest or ensure exemplary conduct in personal trading or other matters, that some conflicts of interest inevitably exist for MCM and its employees in performing services such as providing investment advice, and that certain conflicts cannot be fully eliminated, avoided, or disclosed in advance.

### **Participation by Related Persons and Differing Interests Among Clients**

MCM generally does not buy or sell securities for itself or maintain proprietary investment accounts. One rarely used exception involves an error account that MCM occasionally uses solely for the purpose of buying or selling securities in order to correct trade errors for the benefit of clients.

MCM occasionally may buy or sell for its clients securities in which related persons of MCM may have a financial interest. For example, employees of MCM may incidentally hold in their personal securities accounts one or more of the same securities (generally obtained prior to joining MCM) that MCM also trades for clients. As discussed in **Item 10: Other Financial Industry Activities and Affiliations**, MCM may buy securities for clients issued by a person that has significant business relationships with MCM, such as BofA or Goldman Sachs, or may buy securities in a syndicated offering underwritten by such a person.

In general, MCM's owners, officers and employees, their family members, and other affiliates may themselves be clients of MCM directly or indirectly through private accounts or otherwise. MCM may buy or sell securities for these related persons that are similar to or different from those it buys or sells for other clients. Such related persons also may be investors in other investment vehicles advised by MCM such as the Marsico Funds or the Private Fund. The ownership interests that related persons of MCM may hold from time to time in one or more of the Marsico Fund portfolios may be significant, and as a result, those persons may at times be deemed to be "affiliated persons" of, or to have "control" over, certain investment company portfolios managed by MCM, as those terms are defined in the Investment Company Act. In addition, MCM may purchase or hold for client accounts the securities of other clients (or their affiliates). MCM also may purchase or hold for clients the securities of service providers (or affiliates of service providers) to MCM, its parent companies, the Marsico Funds, or other MCM clients. Similarly, MCM may purchase or hold for clients securities issued or underwritten by investors in or lenders to MCM or its parent companies, or securities issued or underwritten by affiliates of such investors and lenders. MCM also may provide investment advisory or sub-advisory services to such investors or lenders or their affiliates.

MCM's investment decisions for each client's account are based upon the investment objectives, policies, practices and other relevant investment considerations that MCM believes are applicable to that particular account. MCM seeks to ensure that over the long term, all clients are treated as fairly and equitably as possible relative to each other.

MCM may give advice or exercise investment responsibility or take other actions for some clients (including related persons) that may differ from the advice given, or the timing and nature of actions taken, for other clients. Some differences in the handling of client accounts are inevitable as the result of factors such as each account's differing investment strategies, investment objectives, specific guidelines and restrictions, including willingness or ability to "open" accounts for trading ordinary securities in specific foreign jurisdictions, risk tolerance, tax status, account opening dates, account sizes, policies, cash flows, cash availability, issuer and regulatory holdings restrictions, special needs, the limited availability of certain securities such as IPOs and other investment opportunities, specific portfolio manager decisions made for specific client accounts, and other differences among accounts that naturally arise in the provision of individualized investment advice to different clients.

As the result of factors such as these, some clients may not participate at all in some investments in which other clients participate, or may participate to a different degree or at a different time than other clients do. On occasion, MCM could at times cause some clients (including related persons) to buy or sell securities or other investments while other clients take opposite positions in the same investments. MCM also may purchase (or sell) securities for one account and not another account, or may take similar actions for different accounts at different times.

Natural differences between accounts may result in the mix of securities held in one account performing better than the mix of securities held for another account. Similarly, the sale of securities from one account may cause that account to perform better than others if the value of

those securities declines. As a result of these considerations, account performance among client accounts is expected to vary and some performance dispersion will occur, even among accounts generally managed in the same investment style.

### **Allocation of Investment Opportunities and Shares of Investments**

MCM may allocate a particular investment opportunity, or allocate trades in a particular security or other investment, to one client or to multiple clients. MCM seeks to allocate investment opportunities and allocate trades in securities or other investments to clients over the long term as fairly and equitably as possible in the particular circumstances of each trade, without favoring particular accounts. Allocations may take into consideration factors such as the size, nature, or number of positions in a client's portfolio, concentration and size of holdings, investment objectives and guidelines, purchase cost and cash availability, ability to obtain meaningful position sizes, liquidity, investment imbalances, prior participation in similar opportunities, limitations on the availability of an investment, special needs, trading considerations, and other factors. Inevitably, not all clients, including clients within similar investment strategies, can participate in every investment opportunity, and clients who do participate in an investment cannot always participate to the same degree. MCM may determine that a limited supply or demand for a particular opportunity or investment or other factors noted above may preclude the participation of some clients in a particular investment opportunity or trade. Similarly, when MCM determines to exit a position for some clients, other clients may not always participate, may not participate at the same time, or may not participate to an equal degree.

MCM generally buys or sells securities or other investments for more than one client at a time. MCM frequently aggregates or "bunches" trades for multiple clients in seeking to maximize efficiency and minimize trading costs (generally excluding certain trades such as wrap program trades, as discussed in **Item 12: Brokerage Practices** below), and places the bunched trade with one or more broker(s) that MCM believes may provide best execution. MCM does not aggregate trades in all circumstances, and is not obligated to aggregate trades in any circumstances. Although aggregation of trades is generally intended to benefit client accounts by reducing overall trading costs, it is possible in some circumstances that aggregation might instead increase client account commissions or trading costs or have other adverse effects. Certain client trades that are not aggregated may at times achieve superior results, such as when a single account may obtain a superior purchase or sale price not available for an aggregated trade executed for a larger group of MCM's clients. MCM seeks to allocate bunched trades (and trading costs) in a manner that is fair and equitable to all participating clients, consistent with practical limitations.

The allocation method most commonly used is an equal percentage or level percentage allocation among the accounts in a particular trading group. This leveling method seeks to bring a particular securities position to a relatively equal percentage of total account assets in each account within that trading group following completion of the trade (e.g., taking actions with the goal of bringing each account's holdings of a particular security to 3% of that account's assets). Other allocation methods may include, without limitation, a pro rata distribution based on account size or the position size of a particular holding within the account, "fill-first" or other

priority instructions intended to address particular account needs, such as special cash issues, investment imbalances or limited quantities, or other unique account or trading considerations. The price paid or the value of proceeds received is generally determined by calculating an average price of executions completed and expenses incurred. Purchase or sale and transaction costs generally are allocated pro rata to each participating account based on the amount of securities or proceeds received by the account.

Although MCM generally seeks to allocate investment opportunities as fairly and equitably as possible over the long term, as explained above, MCM cannot assure the equal participation of every client in every investment opportunity or every transaction. MCM may determine that a limited supply or demand for a particular opportunity or investment or other factors may preclude the participation of some clients in a particular investment opportunity or trade.

### **Allocation of Syndicated Offerings**

Syndicated initial public offerings or syndicated secondary or follow-on offerings ("syndicated offerings") typically present more limited opportunities for meaningful client participation because such offerings are often heavily subscribed and the number of shares allotted to MCM is often too small to permit significant participation by all clients that may be eligible to participate. Opportunities to participate in syndicated offerings may also be circumscribed by their infrequent occurrence at times, as well as the limited fitness of certain syndicated offerings for certain strategies, such as those involving foreign offerings, small-cap offerings, or other securities that match some strategies better than others. MCM clients' participation in syndicated offerings also is affected by individual portfolio manager decisions to participate (or not participate) in such offerings.

Financial Industry Regulatory Authority ("FINRA") Rule 5130 ("Rule 5130") and other regulations may restrict a client account from receiving certain syndicated offerings such as initial public offerings or "new issues," if the account is beneficially owned by a "restricted person" affiliated with a broker-dealer. MCM periodically requests that clients notify MCM whether their accounts are eligible to receive "new issues" in light of these and other restrictions. MCM does not purchase new issues or other shares of syndicated offerings for clients that are ineligible, or certain other clients such as wrap program participants. Other clients that are subject to exceptionally complex limitations on investing in syndicated offerings underwritten or sold by an affiliated broker (such as clients subject to the Employee Retirement Income Security Act ("ERISA")) also may be routinely excluded from participation in syndicated offerings, or may participate on a more limited basis compared to clients not subject to such restrictions.

Even accounts that are eligible to receive syndicated offerings may not participate in them for a variety of reasons, including factors such as, without limitation, limited supply, expected limited liquidity of the newly-issued security, the nature of the issuers currently engaging in syndicated offerings, ability to obtain meaningful position sizes, client investment guidelines, lack of portfolio manager interest, other regulatory restrictions, compliance policies, or discretionary investment decisions by MCM. In some instances, these and other investment considerations

may result in syndicated offerings being allocated primarily to smaller accounts or account groups, or to accounts or groups with specialized objectives that are particularly amenable to investing in foreign securities, small cap securities, or other securities. In some circumstances, this could result in more frequent allocations of syndicated offerings to certain accounts or account groups such as portfolios of the Marsico Funds in which affiliates, officers or employees of MCM may have invested significantly.

Syndicated offerings often possess special characteristics that make them more appropriate for certain investment styles. For example, the majority of syndicated offerings that may be of interest to MCM may be offered by small-capitalization or foreign issuers. As a result, in many cases these syndicated offerings may be most suitable for particular account groups that routinely invest in those types of securities, such as accounts managed under MCM's all-cap, flexible capital, emerging markets, global, or international strategies. This "special characteristics" factor may be decisive in MCM's allocation of many syndicated offerings. Another consideration is that MCM may seek to allocate syndicated offerings mainly to accounts which, following such allocation, either already hold positions in the security, or will be able to obtain a material or meaningful position size in the context of the account's total assets.

In seeking to promote the fair treatment of clients eligible to participate in syndicated offerings, when syndicated offerings are suitable for multiple groups of eligible clients, MCM seeks to ensure that over the long term, each eligible client with the same or similar investment objectives will receive an equitable opportunity to participate meaningfully in syndicated offerings, and that no eligible client will be unfairly disadvantaged, subject to certain limitations such as those discussed here.

If syndicated offerings are deemed suitable for more than one investment strategy, but are not available in sufficient quantity to allow all account groups within those strategies to participate to a meaningful degree, MCM may allocate such syndicated offerings to eligible client account groups in rotation. The rotation order may be affected by multiple factors including whether the syndicated offering allotment is large enough to be material to certain accounts or groups; whether portfolio managers believe that particular groups or accounts have particular needs, imbalances, or other reasons to participate; which account groups have cash available to invest; the significance of an account group in helping MCM to obtain syndicated offering allotments; and which account groups previously received shares. MCM seeks to make such allocations based on appropriate account groups, and to consider circumstances relevant to individual accounts when appropriate. A portfolio manager may issue special instructions intended to address particular account needs such as cash flows or availability, investment imbalances, or other unique account or trading considerations.

Inevitably, because of factors such as those listed above, most opportunities to invest in syndicated offerings cannot be distributed in rotation. In practice, the "special characteristics" factor discussed above and portfolio manager interest are often decisive factors in determining the allocation of the syndicated offerings in which MCM participates. In other cases, MCM may allocate syndicated offerings to certain accounts in recognition of special factors such as lack of

participation in past offerings, the materiality of the allocation to a particular account, the significance of the accounts in obtaining allotments from brokers, or other concerns.

Subject to the considerations discussed above, MCM will not systematically allocate syndicated offerings in a manner that would be unfairly preferential over the long term to: (i) accounts that are beneficially owned or controlled by MCM, its employees or their immediate family members, or affiliates of MCM, if any; (ii) accounts with poor performance; (iii) new accounts for which a strong performance record would be advantageous; (iv) accounts with a performance-based fee; or (v) a limited number of accounts within a larger group of accounts that are equally eligible to participate in syndicated offerings and share the same account size and other investment circumstances, objectives, policies, restrictions, and other factors relevant to the suitability of particular investments for particular accounts.

## **Item 12. Brokerage Practices**

### **Best Execution**

When it has discretion over broker-dealer selection and execution, MCM seeks to obtain for client accounts the best execution of portfolio transactions that can reasonably be obtained under the circumstances. To seek best execution means to use reasonable diligence in seeking the most favorable execution terms reasonably available in the specific circumstances surrounding each trade, so that a client's total costs or proceeds in each transaction are the most favorable reasonably available under the prevailing market conditions.

Certain special aspects of MCM's investment style affect the manner in which it selects brokers and seeks to achieve best execution of client trades. MCM follows a growth investing discipline that often requires that it obtain or dispose of large securities positions quickly, typically within a few hours or days, with attention to potential price movement at times when the prices of securities may be trending significantly upwards or downwards. Further, MCM's relatively concentrated portfolios emphasize allocating substantial assets to a limited number of securities. To address these objectives, MCM may at times buy or sell larger positions in fewer securities for clients over relatively short periods of time, compared with many other managers. This factor may at times require MCM to execute very large trades, and to execute such trades quickly to limit market impact. The concentration of much of MCM's trading resources on a limited number of trades may enable MCM to devote more resources to monitoring trades as they occur.

MCM depends on its ability to quickly locate large sources of trading liquidity when needed, and to arrange trades opportunistically with different counterparties and brokers offering the best terms available in particular trading circumstances. For example, a significant portion of MCM's trading strategy often involves seeking "natural counterparties," or willing sellers (or buyers) that hold (or seek) large positions and have natural incentives to participate on the other side of a trade in large volumes. MCM works with both brokers and alternative trading systems ("ATSS") discussed further below to attempt to locate natural counterparties. MCM may at times execute large trades with natural counterparties at prices that may differ from current

market prices for smaller trades, depending on the nature of the counterparty, its particular objectives, the size of an available block, efforts to limit price movement and market impact, and other considerations unique to each trade.

MCM occasionally may buy (or more commonly sell) a large block of securities through a trade with a full-service broker that agrees to take the other side of the trade while acting as principal, thereby committing its own inventory or capital to the trade. MCM believes that such a “principal trade” or “capital commitment trade” with a selected broker is sometimes the best way to rapidly acquire or dispose of a large block of securities, and may at times contribute significantly to achieving overall investment goals and producing favorable trading outcomes at a reasonable cost for MCM and its clients. Principal trades may also involve smaller trades and stop-loss orders, and may have implicit spreads and explicit commissions at times. To implement investment goals, a capital-commitment trade may at times be executed quickly at a price that is less favorable than prevailing market prices. Certain trading costs associated with these trades may appear relatively high compared to the costs of other types of trades. In general, however, these principal trades are intended to serve long-term overall investment goals more efficiently than alternatives such as executing many smaller agency trades over a much longer period of time.

As part of its consideration of best execution, MCM may consider various potential costs associated with the execution of securities transactions, including explicit commission costs, market impact or other price movement during trades, opportunity costs, and other costs of potentially hampering investment goals (such as acquiring too few shares before a large price advance the next day). MCM may at times place paramount importance on seeking best execution through quick transfers of large volumes of securities into or out of client portfolios, in accordance with portfolio manager determinations of investment goals and limited price movement and market impact. MCM works actively to contain explicit commission costs, but commissions may at times be a less significant consideration than other costs that can have a large impact on the overall investment results of trades.

MCM’s approach to seeking best execution generally includes the consideration of overall investment goals, anticipated costs and benefits of trading decisions, the selection of a trading venue for a trade (such as an exchange, off-exchange market, or ATS), the selection of a broker (including an ATS such as an electronic communications network) to execute the trade, the monitoring of the trade as it is executed, the periodic evaluation of broker quality and other considerations affecting best execution through means such as quantitative broker ratings, and compliance with client trading decisions such as client-directed brokerage instructions or restrictions on the use of certain brokers, as applicable.

Alternative Trading Systems. When selecting trading venues on which to execute the order, MCM generally considers various available trading venues such as different brokers or ATSs. When possible in the particular trading circumstances, MCM may execute part or all of the trade order through ATSs that appear to offer adequate volume and execution capabilities. ATSs include electronic crossing networks, algorithmic trading systems, order matching systems, dark

pools, and other trading systems based on technology developments or alternative market systems. These alternative systems are particularly useful for trading securities in anonymous transactions subject to lower commissions, and sometimes, but not always, permit at least as favorable a quality of execution as may be available through another venue. ATSs may reduce the role of market makers and can assist buyers and sellers in dealing directly with each other, thereby increasing market anonymity. ATSs may also offer limited market impact and protection of proprietary information. ATSs, however, also present certain limitations at times. Because of time constraints, priority trading needs, resource limitations, or other considerations, use of an ATS may be impractical in particular trading circumstances. In many cases, only a conventional brokerage alternative is a practical trading venue. MCM is not required to use ATSs in any particular circumstances.

Broker Selection Criteria. When selecting a broker (including an ATS), MCM may consider factors such as each trade order's timing, size, complexity, special features, the availability of liquidity, and current market conditions, together with the full range and quality of an available broker's services, including factors such as spreads, fees, or commission rates, the broker's general execution capability, its ability to obtain a favorable price, provide or locate liquidity (including natural counterparties), willingness to commit capital, handle large or small orders, block trading capability, the broker's reputation, integrity, facilities, financial responsibility and services offered, trading expertise and responsiveness, reliability in executing trades and keeping records, familiarity with the other side of the trade, fairness in resolving disputes, ability to maintain confidentiality, initiative in providing investment ideas or commentary or access to corporate executives, the provision of other brokerage or research services that generally benefit clients, the value and extent of the broker's past and expected future contributions to overall portfolio performance on a continuing basis including by providing or facilitating the provision of permissible brokerage or research services that may be paid for with client commissions (see "Soft Dollars/Client Commission Benefits" below), permissible commission recapture arrangements, any client directions to use or not use a particular broker, in accordance with MCM's separate policies and procedures for client-directed brokerage arrangements.

MCM seeks to ensure that when it selects brokers to execute trades for the Marsico Funds or other mutual funds advised or sub-advised by MCM, it does not knowingly consider the promotion or sales of fund shares by selling brokers or other client referrals as a factor in selecting brokers.

When choosing a broker (including an ATS), MCM may seek to obtain additional brokerage or research services that generally benefit clients as well as MCM, and that may exceed the brokerage or research services available from other brokers that may charge lower commissions. As discussed further below, the commissions paid to these brokers may at times be higher than the commissions that would be paid to another broker solely for execution or clearing services. MCM has adopted policies and procedures that seek to ensure that the commissions that MCM typically pays to brokers (and the other terms on which MCM uses these entities) are competitive, and the commissions are believed in good faith to be reasonable in relation to the value of all the services being provided to MCM, including the additional eligible brokerage or

research services, either in connection with a particular trade or in the overall course of dealing with that broker or ATS.

**Counterparty Risks.** On behalf of its clients, MCM engages in continuous trading activity with participants in markets around the world, including brokers and dealers transacting in equities, fixed-income/debt securities, foreign exchange, and other securities and instruments. In interacting with these diverse counterparties, MCM and its clients necessarily are exposed to some degree of counterparty risk, including the risk that a counterparty will be unable to execute or complete a transaction because of financial difficulties. Because fully transparent and reliable information about the financial condition of market participants is often unavailable, MCM may be unable to fully assess the creditworthiness of counterparties in advance of each transaction.

Counterparty risks for MCM clients may be relatively limited in scope but cannot be completely avoided. For example, clients are necessarily exposed to counterparty risk for a short time prior to settlement when participating in principal trades with brokers that use their own balance sheets to purchase securities from clients or sell securities to clients. MCM's investment practices help to limit certain other counterparty risks by, for example, focusing primarily on securities that can be traded extensively on an agency basis through securities exchanges, which may reduce counterparty risk to a degree, although trade settlements could still fail in certain situations. MCM does not regularly invest in off-exchange derivative instruments that rely substantially on a broker's balance sheet, or hold other instruments with extended counterparty risks such as repurchase agreements (as distinguished from typical corporate debt securities that present certain other issuer risks).

While MCM may occasionally attempt to evaluate the financial soundness of an unfamiliar broker and consider other risks of trading through it, MCM cannot fully immunize client accounts from broker or counterparty risk. In the unlikely event that a broker or counterparty declares bankruptcy, becomes insolvent or is otherwise unable or unwilling to honor its obligations during the pendency of a trade, trades may fail and client assets could be impaired. If a broker or counterparty in a principal trade cannot complete a trade, clients might not receive securities or instruments for which they have paid, or might not receive consideration in return for securities or instruments transferred in connection with such trade. In addition, clients whose accounts participate in trades with brokers or counterparties that declare bankruptcy, become insolvent or otherwise are unable or unwilling to settle transactions, might lose gains that may have been obtained with respect to the security or instrument not delivered, or might sustain losses on securities held that otherwise would have been avoided had the counterparty completed the sale transaction. Failure to complete trades might also result in other opportunities being lost as a result of an account's diminished ability to take advantage of them.

**Monitoring of Trade Quality.** MCM monitors ongoing trades by evaluating factors such as the overall market, the current market price, bid and ask, volume and high and low prices, venue and broker selection, the broker's presentation of the trade to the market in light of trading volume and market depth, the promptness of feedback and service provided by the broker, the broker's timeliness in finding the other side of the trade and providing prompt execution information, the

price obtained by the broker for each portion of the trade, the quality of the broker's management of the order in light of changes in the market, the effectiveness of the broker in protecting MCM's (and its clients) confidentiality, and whether the broker appears to be providing effective execution, as applicable. MCM may also consider other information such as, without limitation, volume-weighted average price during the trade execution, market graphs, securities trading time data and other data, or costs of order execution. If MCM believes that a broker is not executing a trade effectively, MCM may cancel the balance of the order with such broker and then enter the remaining portion of the order with a different broker or trading system. If such broker's execution performance is seriously deficient, MCM may ask the broker to break and re-execute the trade.

MCM maintains a Trade Management Oversight Committee that is responsible for overseeing trade management procedures and evaluating trading effectiveness generally. When periodically evaluating broker quality or other factors affecting best execution, MCM may use an internal quantitative broker rating system to assist in evaluating particular brokers and other efforts to guide trading practices. Members of MCM's Investment, Trading, and Operations Departments periodically evaluate brokers/ATSSs through a quantitative ratings process, evaluating factors, including, but not limited to, service, execution ability, research, resource provision, and settlements. These ratings are helpful as a general check on the execution quality provided by such brokers/ATSSs. The Trading Department and the Trade Management Oversight Committee also periodically compare ratings with MCM's actual use of those brokers/ATSSs in an effort to ensure that brokers performing at high levels generally receive an appropriate allocation of brokerage.

MCM may not always be able to obtain best execution for clients, particularly when clients direct brokerage transactions to a particular broker, place foreign exchange transactions with client-selected custodians or others for execution, or place significant restrictions on MCM's ability to choose among brokers that MCM believes may be able to achieve best execution, as noted below in the discussions of Client-Directed Brokerage and Brokerage Arrangements for Wrap Fee Program Clients.

### **Order of Execution of Trade Orders for Clients**

MCM may place similar trade orders for a variety of different client accounts or groups, including investment companies, Private Accounts, and wrap fee program participants. Same-security trades for different client groups could in some cases overlap in time, but will not necessarily do so in some cases.

MCM generally places each trade order with a trading venue once the order is ready for execution. For a variety of reasons, including the different investment guidelines that apply to different clients, different cash availability, and other circumstances, portfolio managers may make investment decisions for some clients, such as wrap fee program accounts, at different times than the times when they make decisions for other clients. For example, orders may be placed first for a particular account to reflect cash flows such as subscriptions and redemptions in

that account, or may be placed later for wrap fee accounts than for other accounts because updating model wrap portfolios and preparing trades for many wrap accounts may require more time than the same process for a smaller number of mutual funds or other clients, or for other reasons. At other times, wrap fee trades may be placed before trades for other accounts.

Client directions to execute trades through a single designated broker may also affect the order of execution of trade orders. MCM may wish to take advantage of temporary opportunities to obtain favorable execution from another broker it selects for the benefit of accounts that are not restricted from using such a broker and can aggregate their orders. For this and other reasons, MCM may at times execute trade orders for wrap accounts and other accounts that direct the use of a particular broker-dealer after the completion of trades for other accounts that do not impose such restrictions, or take other steps described above. This could have potential adverse or beneficial effects on such later-executed trades because of changes that may occur in the market price for affected securities or other changes, particularly in volatile markets.

Except as otherwise discussed above, if trade decisions do overlap in time, MCM generally seeks to ensure that trade orders for different client groups are executed in a fair order over the long term, and that no client group is unfairly disadvantaged. In many cases, trades for different client groups may be aggregated and traded with one or more brokers to obtain the efficiencies that may be available on larger transactions (although this may be impractical for wrap fee account trades, which are generally executed by the wrap fee sponsor or a broker designated by the sponsor as discussed under “Brokerage Arrangements For Wrap Fee Program Participants” below). MCM is not obligated to aggregate trades in any circumstances. Although aggregation of trades is generally intended to benefit client accounts by reducing overall trading costs, it is possible in some circumstances that aggregation might instead increase client account commissions or trading costs or have other adverse effects. Certain client trades that are not aggregated might at times achieve superior results including price.

In other cases, MCM or other agents may send overlapping trades to different brokers for execution at the same time. Simultaneous execution may be appropriate, for example, when a trade for one client group is of limited size, while a trade for another group is of significant size, when trades for different accounts can be executed on different venues that are not expected to materially impact one another, or when the overall market volume in a security is large compared to the size of the proposed trades. If simultaneous execution of larger trades might adversely affect the market for a security by, for example, implying greatly exaggerated demand or supply or by materially moving the market price for the security, MCM may place a trade for each client group in turn, one group at a time (or one portion of a group’s trade at a time), rather than simultaneously. Under this approach, MCM may rotate among client groups in a random order, so that trades for one group are placed first at times, while others go first at other times, or follow another variable rotation method. If circumstances warrant, MCM may instead follow a fixed rotation, under which trades for different groups alternate in a regular order.

## Brokerage Arrangements for Wrap Fee Program Participants

As explained in **Item 4: Advisory Business** above, wrap fee program participants generally pay the program sponsor a single fee, or wrap fee, that is intended to cover most costs including most trading costs. Participants generally expect the sponsor or an affiliated broker (or another broker designated by the sponsor) to execute most wrap trades, using a portion of the wrap fee to pay brokerage commissions. Thus, the decision to participate in a wrap fee program generally is an effective decision to direct most brokerage for the wrap account to the sponsor or an affiliated broker (or another broker designated by the sponsor), although participants or sponsors may authorize the use of other brokers in circumstances when the investment manager deems it appropriate, such as when MCM believes that best execution may be available through the other broker. The use of another broker may at times require the payment by participants of additional commissions or other charges such as broker-dealer spreads or mark-ups, which may not always be transparent to participants.

In accordance with this implied direction by wrap program participants of most of their trades to a single broker, CMIA and MCM usually send most trades for wrap fee program participants to the sponsor (or the broker designated by the sponsor) for execution. Wrap fee program participants should be aware that, even when trades are executed through the sponsor or an affiliated broker (or the broker designated by the sponsor), broker-dealers that execute wrap program trades might at times charge implicit spreads or mark-ups (the size of which MCM may generally be unaware) or charge explicit commissions, and that agreements between sponsors and participants may require wrap participants to bear these and other supplemental trading costs in addition to the wrap fee itself, which may not always be transparent to participants.

Wrap fee trades are typically monitored by CMIA. MCM itself seeks to monitor the execution of certain larger wrap fee program trades, to the limited extent that it is able to do so, and to seek effective trade executions whenever possible. Based on the limited information about trade execution that is available to MCM, it believes that wrap fee sponsors (or the brokers designated by the sponsors) usually seek to provide acceptable execution of wrap program trades. In unusual cases, if MCM receives information that leads it to believe that trade quality may be substantially less than optimal, MCM may attempt to notify the sponsor of any material concerns it may have about trading issues.

Wrap program participants should be aware that the quality of trade executions could vary at times because participants effectively direct CMIA and MCM to execute most trades through the sponsor (or the broker designated by the sponsor). Decisions by clients to direct most brokerage to the sponsor generally prevent the use of other brokers that might execute some trades more efficiently, and may prevent the receipt of potential benefits associated with the bunching of wrap fee program trades with other trades sent to other brokers. Dedicating brokerage to a particular broker may also potentially result in reduced incentives to provide the best possible service. In addition, brokerage costs for executing wrap program trades through a sponsor (or the broker designated by the sponsor) may be difficult to quantify, and could at times be higher

than the costs of using other brokers, particularly in light of supplemental trading costs that might apply in some circumstances, as noted above.

Also, the order or method of the execution of wrap fee trades by the sponsor (or the broker designated by the sponsor) may be less than ideal in some circumstances, in part because of the potential need to participate in a rotation in which similar trades are executed for other MCM clients first or for various other wrap programs before being executed for the participant's program. MCM may execute trade orders for wrap accounts and other accounts that direct the use of a particular broker-dealer following the completion of trades for other accounts that do not impose such restrictions. Within wrap account trades themselves, trades for different wrap programs may be executed in a fixed, random, or variable rotation because of the general need to use a different designated broker for each program.

MCM may at times seek to take advantage of temporary opportunities to obtain favorable execution from a broker not affiliated with or designated by the wrap sponsor, such as by executing trades for wrap fee accounts with another broker, or aggregating wrap account trades with trades for non-wrap accounts in various circumstances when MCM believes that best execution may be available through such approaches. For example, MCM may seek to execute wrap orders through a sponsoring broker's electronic algorithmic trading systems instead of its wrap trading desk, or through the sponsor's institutional desk instead of its wrap trading desk, or may combine wrap account orders with other client orders to be executed by another broker that is committing its own capital to facilitate a large block trade, or execute trades of foreign ordinary shares through a broker that converts them to ADRs and forwards them to the wrap sponsor for distribution to client accounts.

As another alternative to executing trades through the wrap fee program sponsor or a broker designated by the sponsor, MCM might in some circumstances bunch wrap program orders with orders for other clients, and assign them to another broker other than a sponsor/designated broker. Use of another broker might at times require the payment by participants of additional commissions or other charges such as broker-dealer spreads or mark-ups. If funds are unavailable to pay the executing broker for the wrap program trades, MCM may ask the executing broker to execute those trades without receiving a significant commission, and to transfer (or step out) the wrap portion of the trades to the wrap sponsor or the broker designated by the sponsor. Step-outs have the potential to affect execution quality, because the executing broker's incentives may be reduced since it may not be paid a commission for the stepped-out portion of the trade. Step-outs also may complicate the settlement of wrap program trades. Wrap fee account sponsors generally discourage or seek to limit the use of step-outs.

For all of the reasons noted above, although MCM makes considerable efforts to seek best execution of trades for wrap program participants and to enhance trade quality if issues arise, wrap fee program clients should understand that their trades may not always receive best execution in all circumstances.

## Client Commission Benefits or Soft Dollars

Traditional Client Commission Benefits. When selecting a broker or ATS to execute certain client securities transactions, one factor that MCM may consider is the broker's ability to provide research and brokerage services to MCM and its clients ("soft dollar benefits" or "client commission benefits"). These client commission benefits are paid for by client accounts through their payment of commissions for trades executed by brokers. Client commission benefits may include a variety of brokerage services and resources such as broker capital commitment, trade communications, and settlement services, and may also include research, investment information, or other services provided by the broker (either directly or through third parties) that are expected to enhance MCM's general portfolio management capabilities. These services benefit clients as well as MCM itself, and may be unobtainable without the payment of commissions to the providing broker.

Client commission benefits may represent a potential conflict between the interests of the client and the money manager because they permit the money manager to obtain products or services that benefit the manager (or its clients) without using the manager's own resources to produce or pay for them. In addition, a manager may have an incentive to select brokers or ATSs that provide client commission benefits over alternative execution venues that do not offer such benefits. Certain client commission benefits practices may benefit some clients more than others. For example, one client whose brokerage assists in paying for client commission benefits may not be the exclusive beneficiary of those products or services, and another client may benefit even though that client's account was not directly involved in paying for those benefits. Applicable law and SEC guidance address these potential conflicts of interest by requiring certain safeguards to apply in arrangements for client commission benefits.

MCM's client commission benefits arrangements are intended to meet the requirements for qualification for the safe harbor under Section 28(e) of the Securities Exchange Act, as amended ("Exchange Act"), as interpreted by the SEC, including SEC Release No. 34-54165 (July 18, 2006) (the "2006 Release"), and any applicable requirements under ERISA.

- MCM must have investment discretion over broker selection for client trades involving client commission benefits, and must seek best execution of such trades to the best of its ability.
- In connection with client commission benefits received, MCM seeks to make general determinations in good faith that:
  - Client commission benefits constitute "eligible" research and/or brokerage services under the statutory requirements of Section 28(e)(3)(A), (B), or (C) of the Exchange Act as interpreted by the SEC, including in the 2006 Release;
  - Client commission benefits provide lawful and appropriate assistance to MCM in the performance of its investment decision-making responsibilities; and

- The amounts of client commissions paid are believed, in good faith, to be reasonable in relation to the value of all services and benefits provided by a broker or ATS, including the value of client commission benefits provided plus the value of other services provided, either in connection with a particular trade or in the overall course of dealings with that broker.
- All client commission benefits must be paid for or otherwise “provided by” a broker, and the broker must participate at least indirectly in the handling of trades for clients by participating in execution, clearance and settlement, “step-outs,” or other trading functions in a manner consistent with the 2006 Release.
- All client commission benefits must be obtained in connection with eligible agency trades or riskless principal trades involving appropriately disclosed charges.

Client commission benefits received by MCM include “proprietary” research or brokerage services made available by a broker that executes client transactions, and “third-party” benefits made available by a third-party broker or other service provider paid by another executing broker. Under a proprietary arrangement, executing brokers and ATSs provide to MCM their internally produced research and services and brokerage-related products and services. Under third party arrangements, third parties make available to MCM research or other products or services by arrangement with a broker.

Some of the products and services (proprietary and third-party) that may be provided by a broker to MCM through client commission benefits arrangements may include, without limitation:

- introductions to corporate executives, access to brokers analysts, economists, government officials;
- market and economic data, including data providing market color and execution strategies (such as market quotes, volumes, etc.), legislative developments, economic factors, trends, portfolio strategy;
- software that analyzes securities and portfolios;
- specialized publications such as financial newsletters, trade magazines, and other publications intended to serve narrowly defined markets;
- brokerage services relating to trade execution, willingness to commit capital, block trading capability, participation in “stop-loss” orders, clearance, and settlement;
- components of order execution systems (such as trade matching systems and market data, including systems providing live market data from exchanges/markets);
- other communications services related to the execution, clearing, and settlement of securities transactions;
- dedicated communications lines (such as FIX); and
- trading software that routes trades to markets, algorithmic trading software, and functions incidental to such trading software.

MCM believes that research such as that identified above benefits clients by providing MCM access to sources of research information including company executives that often facilitates better investment decisions, thereby potentially enhancing the quality of investment advice and lowering the cost of providing services to clients.

Other brokerage services benefit clients by helping MCM to execute trades for client accounts as effectively as possible, potentially facilitating more efficient trades, lowering the cost of trades, and assisting MCM in achieving its overall investment goals. Some examples of brokerage services include the broker's search for market liquidity, significant assistance in working difficult trades, and access to the broker's own capital, including an agreement by the broker to purchase a large position from MCM or to sell a large block to MCM from the broker's own inventory. MCM also receives valuable capital commitment assistance in completing trades through the provision of "stop limit" orders which can serve an important role in assisting MCM in achieving its overall investment goals for clients.

Many proprietary client commission benefit services are not made available by brokers on a stand-alone basis, are not assigned a definitive cost or value by the broker, and are not available for purchase with "hard dollars." Instead, these services are generally bundled with execution expenses, and the costs of paying brokers for proprietary research and brokerage may not be separable from execution expenses, may be known only to the broker, or may not be shared with money managers. For these reasons, it is not generally feasible for a money manager to conclusively establish with any precision that commissions paid match the proprietary services provided, although MCM believes that the client commissions paid for broker proprietary services it receives are reasonable.

Commission Sharing Arrangements. MCM typically obtains a substantial portion of its client commission benefits through efficient commission-sharing arrangements ("CSAs") with selected brokers. MCM believes these types of SEC-authorized arrangements significantly benefit MCM and its clients by allowing MCM to trade with a select group of top-tier brokers that it believes generally provide the highest quality execution services, while setting aside a portion of the commissions generated by those brokers to pay for useful research and brokerage services offered by third party brokers or service providers that may not execute trades as efficiently or may not provide execution services at all. Under CSAs, MCM arranges with executing brokers to allocate a portion of total commissions paid on certain agency transactions to a pool of "credits" maintained by the broker that can be used to obtain client commission benefits generally made available by third-party service-providers. After accumulating a number of credits within the pool, MCM may direct that the broker use those credits to pay appropriate third-party service-providers for eligible client commission benefits made available to the money manager, and indirectly "provided by" the broker.

MCM seeks to match the level of credits accumulated in pools held by various brokers with its anticipated client commission benefits requirements, but may have temporary surpluses or deficits from time to time depending on factors including, but not limited to, the timing of billings for qualifying products or services, the level of trading being executed by MCM, the

nature of the executions, *e.g.*, full-service brokerage, ATSs, etc., changing client commission benefit needs, and other considerations.

MCM does not own these pools of credits maintained with brokers in connection with CSAs, although CSA agreements typically authorize MCM to request that the broker consider using pool credits to pay service providers as recommended by MCM. MCM generally has little or no direct control over these pools. In accordance with SEC requirements for CSAs, brokers maintaining such pools may disclaim any affirmative obligations to disburse those credits under certain circumstances, and questions could arise regarding to whom such credits belong. In the event that a broker merges with another broker or declares bankruptcy and in other situations, there can be no assurance that pools of credits accumulated as a result of client brokerage will necessarily be maintained or preserved for the benefit of MCM or its clients, and these credits could be lost.

As contemplated by applicable law and SEC guidance governing soft dollar arrangements, including evolving CSA arrangements, most client accounts generally pay some portion of their overall agency brokerage commissions for brokerage and research products and services. The overall contribution of any particular MCM account necessarily varies, depending on factors such as the account's size, the nature of the investment strategy used to manage the account (*e.g.*, U.S., global, international), the amount of trading done for the account, the nature of the brokers or brokerage services used to execute trades for the account, the availability of ATSs to execute trades, compensation arrangements with each broker or ATS, differences in the types of client commission benefits offered by different brokers or third party service providers, and other factors. Some client accounts will therefore contribute more toward obtaining client commission benefits than other accounts. A few types of client accounts that do not give MCM full trading discretion or may receive a lower level of services, such as wrap program accounts or model-only portfolios, make few or no payments for client commission benefits, although they may benefit from receipt of such research or brokerage services to the same extent as client accounts that do contribute. In these respects, certain MCM clients may not contribute equally to the acquisition of client commission benefits that may benefit them as well as other clients. Some client accounts could potentially pay for research relating to investments that those accounts are restricted from owning. Applicable law does not require an investment adviser to attempt to allocate particular client commission benefit products and services only to clients who pay for them, or to withhold such benefits from other clients, which would be virtually impossible in practice.

## **Commissions for Trades on Securities Exchanges**

MCM may pay higher or lower commissions to different brokers that provide different categories of services. Under this approach, MCM may periodically classify brokers into different categories based on execution abilities, the quality of research, brokerage services, commitment of capital, block trading capability, ability to locate liquidity, speed and responsiveness, or other services provided by the brokers. Some examples of these categories may include, without limitation, full service brokers, ATSs, and execution-only brokers. MCM

will generally pay higher commissions to the category of brokers that provide higher quality and more comprehensive services, and lower commissions to the category that provides less comprehensive services. MCM generally pays commissions in the range of \$0.04 to \$0.05 per share to top-tier full-service broker-dealers that execute domestic transactions on U.S. markets. MCM generally pays lower rates to certain execution-only brokers and ATSSs.

Commissions on foreign securities trades vary depending on commission rates in each foreign market where they are executed. Foreign trade commissions are typically assessed as a percentage of the value of the security being traded rather than on a cents-per-share basis, and MCM may pay higher commissions for foreign full-service trades than it does for electronic executions. In general, foreign securities execution costs are higher than U.S. commissions. As noted in the discussion of “Client Commission Benefits or Soft Dollars” above, commissions paid to broker-dealers and ATSSs may include amounts payable for research and brokerage products and services under the conditions described above and clients may pay commissions that are higher than the lowest available commission in exchange for MCM’s receipt of those products and services.

### **Effects of “Step-Out” Transactions**

“Step-out” transactions occur when one broker executes a trade while permitting certain other responsibilities with respect to the trade, *e.g.*, clearance and settlement, to be handled by another broker, thus allowing some portion of the commission to be credited to that broker. In these transactions, the broker that executes the trade “steps aside” to permit a portion of the commissions to be paid to another broker. Step-out transactions could occasionally be employed to implement a client’s decision to direct brokerage commissions to the other broker, or MCM’s decision to compensate the other broker for providing (or paying for) brokerage or research services that generally benefit MCM and its clients, as discussed in the “Client-Directed Brokerage” and “Client Commission Benefits or Soft Dollars” sections above. The executing broker would generally earn a reduced profit from step-out transactions and receives a smaller portion of the total commission dollars to cover its execution costs, internal clearing costs, correspondent broker or other costs.

Although MCM typically would select the executing broker based on the belief that the executing broker is likely to provide best execution, some step-out arrangements might have the potential to adversely affect execution quality over the long run, because the executing broker’s incentives to provide best execution might be reduced by the reduced commissions typically payable to it in such arrangements.

In recent years money managers, brokers, and clients have tended to make less frequent use of step-out arrangements because of factors such as declining commission rates, more consolidation of brokerage with key trading partners, and the greater use of commission sharing arrangements and other more efficient arrangements for using commissions to facilitate the provision of additional services to advisers or their clients. For these reasons, step-outs are used infrequently.

## **Principal Trades Generally**

As described in the “Best Execution” section above, MCM may execute trades of securities through a broker acting as principal for securities traded on various exchanges or on over-the-counter markets. At times, execution of principal trades may be a key element of MCM’s brokerage strategy. For example, if MCM must buy or sell a large block of securities in a short time, it may ask a broker to act as the counterparty using the broker’s own capital or securities inventory to finance the trade or supply securities. The prices at which principal trades are executed may be higher (or lower) than the current market prices for affected securities. The trade may include spreads or commissions payable to the broker acting as principal in a block or principal transaction, which may not be fully transparent and may be higher than other spreads or commissions. Because these trades can play an important part in meeting MCM’s investment goals, MCM believes that the net trading and investment results of such principal trades are often beneficial to its clients.

Trading on a principal basis is an important tool in MCM’s menu of trading alternatives because MCM’s investment management style often requires it to trade large blocks of securities. In addition, there may be occasions when a broker executing transactions for MCM on an agency basis may complete a transaction by purchasing the remainder of the trade on a principal basis, or by filling the order from its own holdings. MCM may not be aware of occasions when this type of principal trade activity may be occurring.

## **Internal Cross Trades**

An internal cross trade is a commission-free transaction in which MCM satisfies a buy order for one client account from a sell order for another client account. MCM may cause a client account to participate in an internal cross trade with another client account when, for example, one account is trimming security positions to raise cash while another account is buying the same securities. An internal cross trade may benefit clients on both sides of the trade by eliminating the need to find another buyer or seller, avoiding attendant market impact, avoiding the need to use a broker to execute the trade, and eliminating the payment of brokerage commissions (other than limited clearing fees that may apply).

Internal cross trades must comply with restrictions designed to ensure that trades are fair and in the best interests of all clients involved in the trade. Under these restrictions, only eligible accounts may participate, MCM receives no fee (other than its standard advisory fee), MCM seeks best execution for the clients involved, and MCM seeks to ensure that no participating client is harmed by the cross trade. If an investment company client participates, similar provisions apply, including the requirements that a cross trade generally must be effected at an independently determined current market price, clients may not pay brokerage commissions or transaction fees other than transfer fees, and other requirements will apply. Some clients, such as certain ERISA plans and accounts in which an affiliated person of MCM owns a significant interest, cannot ordinarily participate in internal cross trades.

Because of legal and account-specific restrictions on internal cross trades, these trades may be difficult to arrange in many circumstances, and MCM has no obligation to effect any internal cross trade for any client under any circumstances.

### **Brokerage for Client Referrals**

MCM does not allocate trades to brokers in exchange for broker referrals of clients to MCM. Further, as required by applicable rules, MCM seeks to ensure that, when selecting brokers to execute trades for mutual funds that are advised or sub-advised by MCM: (i) MCM does not knowingly consider broker promotion or sales of those mutual fund shares or other client referrals as a factor in selecting those brokers to execute portfolio securities transactions for those funds; and (ii) MCM does not indirectly compensate those brokers for their promotional and sales efforts for those funds through other arrangements in which the selling broker receives a portion of a commission. MCM may execute portfolio brokerage or principal transactions using brokers that promote or sell the shares of mutual funds advised or sub-advised by MCM for other reasons such as best execution, however, subject to applicable procedures, and consistent with MCM's obligation to seek best execution for all portfolio brokerage transactions.

### **Client-Directed Brokerage**

In certain circumstances, a client may request in writing that MCM use a broker designated by the client to execute a certain type, number, or percentage of the transactions for the client's account because the designated broker provides certain benefits directly to the client. If and to the extent that MCM agrees in writing, MCM in its sole discretion may undertake to use its best efforts to comply with such requests. Clients should understand that all such efforts are subject to the disclosures set forth in this Part 2A. Other written understandings with clients are effective only to the extent consistent with these disclosures. MCM neither recommends, requests, nor requires that clients engage in directed brokerage arrangements.

MCM generally limits "client-directed brokerage" arrangements to not more than 25% of all trades for a client's account on an annual basis to protect trade execution quality for the directing client and other clients. MCM generally uses its best efforts to meet the target threshold, but in many cases may not be able to do so. The withdrawal of many broker-dealers from client-directed brokerage programs, reductions in overall commission levels, and the growing prominence of commission-sharing arrangements are together reducing opportunities for MCM's clients to meaningfully participate in these types of client-directed brokerage programs, and making it increasingly difficult to satisfy client-requested target thresholds.

The client initiates a directed brokerage arrangement with the designated broker. The designated broker typically may agree with the client to rebate certain commissions to the client, pay costs incurred by the client, or provide administration, consulting, performance calculation, or other services negotiated by the client in return for commissions from client-directed trades.

When a client instructs MCM to direct a portion of the securities transactions for its account to a designated broker, the client has made a decision to retain, to the extent of the direction, the discretion that MCM otherwise would be given by the client to select broker-dealers to effect transactions, and to negotiate commissions and other terms of the trade for the client's account. The directing client, not MCM, has negotiated the selection of the designated broker, its commissions, execution quality, and services or other benefits to be received, and it is solely the client's responsibility to satisfy itself concerning the adequacy of those arrangements. Although MCM may execute other trades through a designated broker, MCM does not generally negotiate the service arrangement between the broker and the designating client, and lacks information about the nature, quality, and quantity of the services provided and their value to the client, and is therefore not in a position to fully evaluate the quality of execution of the directed trades by the designated broker.

A client that is considering a directed brokerage arrangement should consider carefully whether the designated broker's commissions, execution, clearance and settlement capabilities, and any fees or services or other benefits to be paid or provided by the broker-dealer to the client, will be comparable to the terms that MCM or the client could obtain without directed brokerage.

Because natural opportunities to trade through designated brokers may arise only infrequently, MCM occasionally might use "step-out" trades to facilitate participation in directed brokerage trades by a non-executing designated broker. In a "step-out" trade, as noted above, the broker that executes a trade sends credit for a portion of the trade to another broker that performs non-execution processing functions. As discussed above, however, in recent years investment advisers, brokers, and clients have tended to make less frequent use of step-out arrangements because of factors such as declining commission rates, more consolidation of brokerage with key trading partners, and the greater use of commission sharing arrangements and other more efficient arrangements for using commissions to facilitate the provision of additional services to advisers or their clients. For these reasons, step-outs are used infrequently.

Potential adverse trading effects could occur in any client-directed brokerage arrangement, including the risk that the client's designated broker may provide inferior execution services. In general, MCM will try to execute client-directed trades as part of its normal trading flow with the designated broker. However, trades for accounts seeking to direct brokerage may not be aggregated with other trades, and may be executed after trades for other client accounts. MCM may at times be unable to obtain best execution of a directing client's trades because in trading separately through the designated broker, the client may not obtain the volume, timing, commission, or execution benefits of participating in aggregated trades with other clients or of using non-designated brokers. Specifically, the designated broker may not be as efficient in executing transactions as another broker would be, the client may lose the possible advantages (such as volume discounts) of bunching its orders with non-directed orders, or the client may face disadvantages (such as higher brokerage costs or unfavorable market or price movements) because directed trades may have to be executed at a different time or on different terms compared to non-directed trades.

MCM attempts to minimize any adverse effects associated with client-directed brokerage arrangements. Although trades executed in this manner may not necessarily be disadvantaged and could conceivably achieve superior results, the client also may lose the possible advantages of authorizing MCM to choose among multiple brokers to select the broker that is expected to provide best execution. The directing client may pay higher commissions or receive less favorable execution on some transactions because the designated broker may maintain a higher commission schedule or provide less favorable service. For these and other reasons, MCM cannot assure that best execution of directed trades will always occur.

MCM cannot accept responsibility for any liabilities that a client or any other party may incur as a result of participating in a directed brokerage arrangement initiated by the client.

### **Commission Recapture Arrangements for the Marsico Funds**

Under certain commission recapture agreements entered into by the Marsico Funds, MCM may cause a portion of the Funds' brokerage transactions to be executed by a designated broker that uses a portion of commissions paid by the Funds to the broker to pay non-distribution-related administrative expenses that the Funds otherwise would have to pay in cash. For example, commissions paid to a broker affiliated with a "fund supermarket" assist in reducing administrative expenses charged by the supermarket for maintaining shareholder accounts. These commission recapture arrangements may benefit the Funds by reducing the Funds' administrative expenses.

To facilitate best execution, MCM may aggregate Marsico Fund trades with other clients' trades, execute the trades through a non-designated broker, and cause a portion of the commissions attributable to the Marsico Funds' positions to be "stepped out" to the designated broker. Commission recapture transactions generally would not occur in Fund portfolios whose administrative expenses are paid, in part, by MCM pursuant to certain expense limitation agreements. Commission recapture transactions might benefit MCM indirectly by lowering Fund expense ratios and thereby making Fund shares more attractive to investors.

Only a few brokers combine the functions needed to implement commission recapture arrangement for the Marsico Funds, including regularly executing trades for the Marsico Funds, providing other substantial services to them, and offering commission recapture arrangements to the Marsico Funds. In addition, step-outs that could facilitate commission recapture arrangements are used infrequently today for a number of reasons. For these and other reasons, the Marsico Funds are unlikely to make substantial use of commission recapture arrangements with brokers in the near future.

### **Item 13. Review of Accounts**

Each of MCM's portfolio managers generally has responsibility for the investment advice and supervision given to each client account managed by that portfolio manager (subject to limitations regarding wrap fee program accounts discussed below). Portfolio managers receive daily information about security positions in account portfolios and account performance.

The Compliance Department uses computerized compliance monitoring software to assist in seeking to monitor non-wrap program portfolios' compliance with client investment policies and regulatory restrictions, and periodically conducts other reviews of certain portfolios. MCM's Operations staff may review securities positions in accounts from time to time, and reconcile account information at least monthly to available records kept by other persons, such as available custodial records or broker confirmations. MCM's Accounting, Marketing/Client Services, and Compliance staff also periodically review and analyze account performance and related matters.

MCM encourages all clients to carefully review their own accounts from time to time, and to notify MCM promptly if they have any questions.

In the case of accounts for participants in wrap fee programs, as discussed in **Item 4: Advisory Business** above, the wrap fee sponsor and the participant are primarily responsible for ensuring that the services provided by the program and each investment manager or sub-adviser are suitable for each participant's needs. Due to the structure of most wrap fee programs, MCM generally cannot provide the same level of client relationship services to wrap participants that it may provide to other clients. MCM, through CMIA, does make itself reasonably available for consultation with the sponsor and the participant or its representative.

**MCM's Compliance Program.** MCM maintains a compliance program that is generally designed to guide MCM's compliance with applicable laws and rules and to seek to prevent violations of relevant legal requirements and other conditions such as applicable client guidelines. The primary elements of MCM's compliance program are the creation, implementation, and ongoing maintenance of documented policies and procedures that seek to accurately reflect the operations of MCM's business and to prevent violations of applicable law. The development and implementation of these policies and procedures are joint responsibilities shared by MCM's management, the Compliance Department, the Legal Department, and other business units. MCM's Chief Compliance Officer, with the support of MCM's staff, oversees the administration of the compliance program.

MCM devotes considerable time and resources to ensuring that its compliance policies are comprehensive and effective, and seeks to correct any material violations of its compliance policies promptly after their detection. Of course, any compliance program has limitations, and no program can possibly prevent, detect, or correct every potential violation of applicable law, client guidelines, or internal policies and procedures.

Class Action Policy and Procedures. A client of MCM might at times become eligible to assert claims against third parties such as issuers of securities that are or were held in the client's account. For example, following the commencement of a shareholder class action against such an issuer, a court may issue a written notice ("claim eligibility notice") stating that a client may be entitled to submit a proof of claim seeking a share of any proceeds that may become payable as a result of the shareholder class action.

Receiving and responding to claim eligibility notices is primarily the responsibility of the client's custodian bank or portfolio accountant. MCM cannot generally accept responsibility for giving notice of, filing, collecting, or otherwise taking any action on any claims that a client may be entitled to assert in securities class action lawsuits or other legal actions relating to any securities held (or formerly held) in a client account.

As an investment adviser or sub-adviser, MCM may play a limited voluntary role in forwarding information that it receives concerning such legal actions. Although MCM has no specific obligations to process claim eligibility notices, if a current client requests MCM's assistance, MCM will, as a courtesy, use its best efforts to forward to the client or its custodian material information that MCM receives regarding legal actions concerning securities that are or were held in the client's account, and provide other limited assistance in processing such notices. MCM cannot ensure that this will occur in all cases, and MCM's assistance will generally end upon termination of the client relationship.

From time to time, MCM may be solicited by law firms to participate as lead plaintiff or as a named plaintiff in class action litigation involving securities that are or were held in client accounts. (On rare occasions, a defendant in such litigation could also be a client of MCM, or maintain other business relationships with MCM or its parent companies.) In general, MCM does not participate as lead plaintiff or a named plaintiff in litigating class action lawsuits, or otherwise assume an active role in such cases. As discussed above, MCM will, upon a client's request, use its best efforts to forward to the client or its representative material information that MCM receives regarding legal actions concerning securities held (or formerly held) in the client's account so that the client may exercise any options presented.

On occasion, law firms may approach MCM to inquire whether certain of MCM's clients that are potentially entitled to participate in class action settlement proceeds in certain class actions may wish to "opt out" of such settlements in favor of independently pursuing remedies against a defendant issuer. (On rare occasions, a defendant in such litigation could also be a client of MCM, or maintain other business relationships with MCM or its parent companies.) As a general matter, while MCM recognizes that the potential recovery from an "opt out" action could if successful be substantially greater than a class action settlement, MCM believes that the decision to opt out of a class action settlement is a speculative decision for most clients, that opting out would require analysis, expertise, and resources that many clients (and MCM itself) may not fully possess or readily obtain, that opting out may substantially increase the costs, burdens, and risks of litigation, that in some cases opting out may jeopardize the benefits of not opting out, that it may present potential conflicts of interest or administrative complications for

some clients (and for MCM itself), and that MCM is not well equipped or required to participate in opt out proceedings on behalf of clients or to invite clients to consider opting out themselves. As a result, MCM's course of action generally is not to recommend that clients opt out of a proposed class action settlement, and MCM generally will not provide client contact information to law firms seeking opt out representations or forward inquiries from such law firms to clients.

Reporting to Clients on Their Accounts. On a quarterly and/or monthly basis, MCM generally furnishes in writing to investment company clients or their agents information such as the five largest portfolio holdings, performance and attribution information, portfolio turnover information, and other information about compliance matters as may be requested by each client. Information contained in the written reports provided by MCM to investment company clients is generally unofficial, informal information derived from MCM's own systems, and is for clients' internal purposes only. Such reports do not constitute the official books and records of the investment company, and information such as performance or turnover reports should not be used as the basis for reporting information to investment company shareholders externally, such as in published definitive standardized mutual fund performance data.

MCM furnishes written reports to Private Account clients at least quarterly. These reports disclose holdings and cumulative year-to-date information regarding the Private Account portfolios. An unaffiliated service provider to the Private Fund provides investors in the Private Fund with monthly statements that include net asset values and performance information. On an annual basis, MCM furnishes Private Fund investors with financial statements prepared by MCM and audited by an independent public accounting firm, as discussed further under the topic of "Custody" in **Item 15: Custody** below, as well as K-1 information prepared by an unaffiliated third party service provider. Wrap fee program clients generally receive account statements from program sponsors at least quarterly.

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

MCM, as a matter of policy and practice, does not pay cash referral fees to any persons (whether individuals or entities) for the referral of advisory clients to the firm. MCM's own personnel are generally compensated based on other criteria, such as the overall performance of MCM and the quality of service provided to clients by MCM personnel. As a result, MCM does not believe that it faces any conflicts of interest relating to client referral or similar compensation arrangements.

MCM receives certain compensation or other limited benefits from non-clients in connection with giving advice to clients. For example, in the ordinary course of business, the principal investment adviser of a mutual fund will typically pay MCM its fees for sub-advising the fund out of the investment advisory fee that the adviser itself has negotiated with the fund. Similarly, a wrap program sponsor typically pays MCM its fees for serving the wrap fee program from the sponsor's own wrap fee received from participants, rather than requiring participants themselves to pay MCM.

Also in the ordinary course of business, broker-dealers may provide MCM and its clients with client commission benefits from broker-dealers or third party service providers in exchange for brokerage commissions in accordance with applicable law and SEC guidance, as described in detail in **Item 12: Brokerage Practices** above.

In connection with its position as investment adviser to the Marsico Funds, MCM may, out of its own resources (which may include legitimate profits from providing advisory services to the Marsico Funds or other clients), make certain payments on behalf of one or more portfolios of the Marsico Funds for expenses incurred by a Fund for the distribution of Fund shares or for administrative or other expenses incurred by the Fund.

### **Item 15. Custody**

MCM does not act as actual custodian of any client account, and does not seek to have physical possession of any client's cash or assets held in any client's account.

Because MCM is affiliated with Marsico Fund Advisors, L.L.C., the general partner of the Private Fund, MCM may be deemed to have custody for limited purposes of the assets of the Private Fund. MCM seeks to comply with pertinent custody requirements of Rule 206(4)-2 under the Advisers Act by ensuring that the Private Fund distributes at least annually audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners or other beneficial owners within 120 days of the end of its fiscal year, and is subject to audit by an independent public accounting firm that is registered with, and subject to regular inspection by (as of the commencement of the professional engagement period and as of each calendar year-end), the Public Company Accounting Oversight Board ("PCAOB") in accordance with its rules.

MCM also may be deemed to have limited custody of the assets of certain other client accounts by virtue of "direct fee deduction" authority that some clients grant to MCM. In direct fee deduction arrangements, a client expressly authorizes MCM to instruct the client's custodian to periodically deduct the agreed investment advisory fees directly from the client's account and to pay the fees to MCM. Although these limited payment arrangements overseen by an independent custodian do not present the same potential concerns as actual custody, Rule 206(4)-2 under the Advisers Act provides that these "direct fee deduction" arrangements are deemed to be "adviser custody" for limited purposes, while authorizing an investment adviser to avoid treating them as custody in certain responses to Form ADV. To enhance client protections in these arrangements, Rule 206(4)-2 generally requires that (a) the actual custodian of the client's account must be a "qualified custodian" under Rule 206(4)-2 under the Advisers Act (generally, a bank or trust company, savings association, registered broker-dealer, registered futures commission merchant, or foreign financial institution), and (b) the adviser must have a reasonable basis, after due inquiry, for believing that the qualified custodian sends an account statement at least quarterly to each client identifying the amount of cash and securities in the account at the end of the period and setting forth all transactions in the account during the period.

MCM believes that its “direct fee deduction” arrangements with clients meet Rule 206(4)-2’s requirements noted above. MCM reminds “direct fee deduction” clients to compare account statements they receive from MCM to account statements they receive from their custodians as a sensible check on their accounts. In particular, MCM periodically includes a legend on account statements urging those clients, as a sensible check on activity in their accounts, to compare account statements they receive from MCM to account statements received from their custodians, and advising them that they should feel free to contact MCM with any questions. Those clients are also reminded to contact MCM if they do not receive access to quarterly account statements from their custodians.

As discussed in “Calculation of Fees” in **Item 5: Fees and Compensation** above, MCM also maintains procedures for billing clients that are designed to seek to ensure that fees billed, including fees payable under direct fee deduction arrangements, are accurately calculated based on asset levels reflecting appropriately priced securities and other assets, and that fees fully conform to fee agreements with clients. MCM periodically reviews and tests fee calculations and other aspects of its billing procedures.

#### **Item 16. Investment Discretion**

MCM believes that it serves clients best by exercising broad discretionary authority to determine the type, amount, and price of investments to be bought or sold for its clients, the brokers to be used to execute trades, and other investment matters, subject to each client’s investment policies and goals and other regulatory or MCM-imposed restrictions that may apply. Unless otherwise agreed upon by the parties, MCM generally assumes discretionary authority over client assets upon receipt of a certified list of assets from the client’s custodian indicating that the client’s account managed by MCM contains the specified assets and that the assets are available for investment by MCM.

To meet regulatory requirements with respect to certain types of investment vehicles, MCM may be deemed to have more limited investment authority in certain contexts. For example, MCM routinely exercises substantial discretion as a sub-adviser to mutual funds subject to broad oversight by the principal manager and fund board, and exercises discretion as a manager of an ERISA plan or trust subject to oversight and shared discretion exercised by a plan fiduciary or a trustee of a collective investment trust.

Like all investment advisers, MCM is subject to limited constraints on its discretion imposed by regulatory or compliance restrictions applicable to investment advisers generally or to certain clients or issuers of securities. Among other limits, federal, state, or foreign regulatory restrictions, or company-specific ownership limits, may restrict the total percentage of an issuer’s securities that MCM can hold, and hence, the types or amounts of securities available to be purchased for client accounts. Similar limits may apply especially to issuers active in certain regulated industries or certain foreign jurisdictions. Other types of regulatory or compliance limits also could restrict MCM’s ability to purchase, hold, or sell certain types or amounts of securities for certain client accounts such as investment companies, ERISA plans, and other

accounts. The limitations could result in client portfolios receiving smaller allocations of securities, which could affect account performance. Further, the complexity and/or uncertainty of certain regulatory regimes such as ERISA may cause MCM to manage those accounts subject to those laws more conservatively than might be required under law or as permitted under account-specific documents.

MCM usually, but not always, has discretionary authority to select the broker-dealers or alternative trading systems including electronic communications networks (all together, “brokers”) used to execute the purchase or sale of securities or other investments for client accounts. Certain exceptions relating to client-directed brokerage and wrap program brokerage are discussed in **Item 12: Brokerage Practices** above. MCM may not always obtain best execution for clients, particularly when clients direct brokerage transactions to a particular broker or otherwise place significant restrictions on MCM’s ability to choose among brokers that MCM believes may be able to achieve best execution, as noted in Item 12 above in the discussions of Client-Directed Brokerage and Brokerage Arrangements for Wrap Fee Program Clients.

### **Item 17. Voting Client Securities**

MCM has written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. The policy generally provides that:

It is the policy of MCM to seek to vote or otherwise process, such as by a decision to abstain from voting or to take no action on, proxies over which it has voting authority in the best interests of MCM’s clients, as summarized here.

- MCM’s security analysts generally review proxy proposals as part of their monitoring of portfolio companies. Under MCM’s investment discipline, one of the qualities that MCM generally seeks in companies selected for client portfolios is good management teams that generally seek to serve shareholder interests. Because MCM believes that the management teams of most companies it invests in generally seek to serve shareholder interests, MCM believes that voting proxy proposals in clients’ best economic interests usually means voting with the recommendations of these management teams (including their boards of directors).
- In certain circumstances, MCM’s vote-by-vote analysis of proxy proposals could lead it to conclude that particular management or board recommendations may not appear as closely aligned with shareholder interests as MCM may deem desirable, or could be disregarded in the best interests of shareholders. In those and other circumstances, MCM may, in its sole discretion, vote against a management or board recommendation (or abstain or take no action) based on its analysis if such a vote appears consistent with the best interests of clients.
- MCM may process certain proxies without voting them, such as by making a decision

to abstain from voting or take no action on such proxies (or on certain proposals within such proxies). Examples include, without limitation, proxies issued by companies that MCM has decided to sell, proxies issued for securities that MCM did not select for a client portfolio (such as, without limitation, securities that were selected by a previous adviser, unsupervised securities held in a client's account, money market securities, or other securities selected by clients or their representatives other than MCM), or proxies issued by foreign companies that impose burdensome or unreasonable voting, power of attorney, or holding requirements. MCM also may abstain from voting, or take no action on, proxies in other circumstances, such as when voting may not be in the best interests of clients, as an alternative to voting with (or against) management, or when voting may be unduly burdensome or expensive, or if MCM may have a material conflict of interest in voting certain proxies and alternative voting procedures are not desirable.

- In circumstances when there may be an apparent material conflict of interest between MCM's interests and clients' interests in how proxies are voted (such as when MCM knows that a proxy issuer is also an MCM client), MCM generally will resolve any appearance concerns by causing those proxies to be "echo voted" or "mirror voted" in the same proportion as other votes, by voting the proxies as recommended by an independent service provider, or by abstaining or taking no action. In other cases, MCM might use other procedures to resolve an apparent material conflict.
- MCM may use an independent service provider to assist in voting proxies, keep voting records, and disclose voting information to clients. MCM's Proxy Voting Policy and Procedures and reports describing the voting of a client's proxies are available to the client on request.
- MCM seeks to ensure that, to the extent reasonably feasible, proxies for which MCM receives ballots in good order and receives timely notice will be voted or otherwise processed (such as through a decision to abstain or take no action) as intended under MCM's Proxy Voting Policy and Procedures. MCM may be unable to vote or otherwise process proxy ballots that are not received or processed in a timely manner due to functional limitations of the proxy voting system, custodial limitations, or other factors beyond MCM's control. Such ballots may include, without limitation, ballots for securities out on loan under securities lending programs initiated by the client or its custodian, ballots not timely forwarded by a custodian, or ballots for which MCM does not timely receive essential information such as the proxy proposal itself or modifications to the required voting date. Other ballots may be voted but not counted, or may be counted in an unexpected way, because of factors such as foreign voting requirements or other limitations.

MCM generally cannot implement client proxy voting guidelines that do not delegate full discretion to MCM, or that are not fully consistent with MCM's Proxy Voting Policy and Procedures. An MCM client may elect to vote all of its proxies for its own account instead of

directing MCM to do so. MCM recommends this approach if a client believes that proxies should be voted based on political or social interests or other client-specific considerations, or the client seeks to impose client-specific voting guidelines that may be inconsistent with MCM's policy or with MCM's vote-by-vote analysis. MCM does not generally advise a client on proxy voting issues when the client retains authority to handle such matters itself.

MCM generally may abstain or will take no action on proxy votes relating to legal proceedings such as shareholder class actions or bankruptcy proceedings, or may refer such votes to clients.

Upon request, MCM will provide Private Account clients with (1) a copy of MCM's Proxy Voting Policy and Procedures, and (2) information about how proxies for securities held in their accounts were voted. With respect to how the Marsico Funds voted proxies relating to portfolio securities during the 12-month period ended June 30 of each year, that information is available upon request (without charge) on Form N-PX from the Funds' administrator and is available on the SEC's website at [www.sec.gov](http://www.sec.gov).

#### **Item 18. Financial Information**

MCM is not aware of any current financial condition that would be reasonably likely to impair its ability to meet its contractual commitments to clients.

As disclosed in previous brochures and updates, MCM's former parent companies incurred large long-term debt repayment obligations in a 2007 transaction in which a company controlled by management purchased MCM from a subsidiary of Bank of America Corporation. Although this debt was long-term in nature, and the former parent companies were meeting all obligations to make periodic interest and principal payments, in 2010 MCM and its former parent companies decided to work with senior lenders and bondholders to implement a recapitalization designed to comprehensively address the companies' capital structure.

The recapitalization was successfully completed on November 10, 2010. Through exchange offers that closed on that date, overwhelming majorities of bondholders voluntarily accepted equity and in some cases debt securities issued by a new parent company (Marsico Holdings, LLC) in exchange for extinguishing approximately 40% of all existing debt, extending from 2016 to 2020 the maturity of about 40% of the remaining debt, and enhancing interest payment flexibility on that portion of the debt, among other favorable changes in the companies' capital structure. The recapitalization also simplified the companies' corporate structure. The recapitalization did not result in a change of control of MCM, or cause any changes in MCM's day-to-day management, personnel, or the services it provides to clients.

The 2010 recapitalization was a significant positive development in helping to assure MCM's continued long-term financial health. Of course, MCM's current parent companies retain long-term debt obligations, and MCM's financial status, like that of other businesses, depends on factual circumstances that cannot be predicted with certainty and could change over time. MCM believes that it and its current parent companies have significant resources and flexibility to meet reasonably foreseeable obligations in the future, and to maintain a high level of investment management services to MCM's current and prospective clients.

**Item 19. Requirements for State-Registered Advisers**

Not applicable.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR THOMAS F. MARSICO**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about Thomas F. Marsico that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Thomas F. Marsico is the founder, Chief Executive Officer, and Chief Investment Officer of MCM. Mr. Marsico sets MCM’s overall research and investment strategy, and is also a co-portfolio manager of accounts managed in MCM’s Focused Growth strategy and Diversified Growth strategy, and a co-portfolio manager of accounts managed in MCM’s Global Growth strategy.

MCM’s address, telephone number, and website are:

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1200 17<sup>th</sup> Street, Suite 1600  
Denver, Colorado 80202-5824  
Phone: 303-454-5600  
[www.marsicocapital.com](http://www.marsicocapital.com)

**Item 2. Educational Background and Business Experience**

Mr. Marsico has over 30 years of experience in the investment management field as a securities analyst and a portfolio manager. His extensive background in rigorous securities analysis led him to recruit and train MCM’s multi-talented Investment team. He is a graduate of the University of Colorado, and holds an MBA from the University of Denver. Mr. Marsico was born in 1955.

**Item 3. Disciplinary Information**

Not applicable.

#### **Item 4. Other Business Activities**

Mr. Marsico holds other investment-related positions associated with his services to MCM and its clients, including serving as an officer of MCM's parent companies and affiliates, and as a board member and officer of The Marsico Investment Fund, MCM's proprietary mutual fund product. These duties are not undertaken for compensation, and do not present conflicts of interest with Mr. Marsico's services to MCM and its clients generally. Mr. Marsico is not actively engaged in any non-MCM business or other occupation that involves a substantial amount of his time or provides a substantial amount of his income.

#### **Item 5. Additional Compensation**

Not applicable.

#### **Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

Under MCM's compliance and supervision policy and procedures, every MCM employee has the responsibility to know and follow MCM's procedures, and is subject to supervision by MCM's management and the compliance department. Thomas F. Marsico is responsible for managing MCM's Investment team. If you have a question about the management of your account, you can call Mr. Marsico or a representative of MCM's Compliance department at (303) 454-5321, or write to them at the address for MCM listed on the previous page.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR JAMES G. GENDELMAN**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about James G. Gendelman that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

James G. Gendelman is a co-portfolio manager of accounts managed in MCM’s International Growth strategy, and a co-portfolio manager of accounts managed in MCM’s Global Growth strategy. Mr. Gendelman is also a senior analyst on MCM’s Investment team.

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[www.marsicocapital.com](http://www.marsicocapital.com)

**Item 2. Educational Background and Business Experience**

Mr. Gendelman has over 10 years of experience as a securities analyst. Prior to joining MCM in 2000, he was a Vice President of International Sales at Goldman, Sachs & Co. for 13 years. Mr. Gendelman holds a Bachelor’s degree in Accounting from Michigan State University and an MBA from the University of Chicago. He was a certified public accountant for Ernst & Young from 1983 to 1985. Mr. Gendelman was born in 1960.

Certified Public Accountant (“CPA”) is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

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**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR CORYDON J. GILCHRIST, CFA**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about Corydon J. Gilchrist, CFA, that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Corydon J. Gilchrist, CFA, is the portfolio manager of accounts managed in MCM’s All-Cap Growth strategy, and a co-portfolio manager of accounts managed in MCM’s Global Growth strategy. Mr. Gilchrist is also a senior analyst on MCM’s Investment team.

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**Item 2. Educational Background and Business Experience**

Mr. Gilchrist has over 15 years of experience as a securities analyst. Prior to joining MCM in 2000, he spent four years as an international portfolio manager and analyst at The Principal Financial Group (Invista Capital Management), where he served on a committee that managed several international equity funds. Mr. Gilchrist was awarded the designation of Chartered Financial Analyst (“CFA”) in 1998. He holds BBA and MBA degrees from the University of Iowa. Mr. Gilchrist was born in 1970.

The CFA program is a three-level graduate self-study program that combines a broad-based curriculum of investment principles with professional conduct requirements tested in several exams, and typically requires 2-5 years and prior qualifying experience to complete.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

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**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR MUNISH MALHOTRA, CFA**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about Munish Malhotra, CFA, that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Munish Malhotra, CFA, is a co-portfolio manager of accounts managed in MCM’s International Growth strategy, and a co-portfolio manager of accounts managed in MCM’s Emerging Markets strategy. Mr. Malhotra is also a senior analyst on MCM’s Investment team.

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**Item 2. Educational Background and Business Experience**

Mr. Malhotra has over 10 years of experience as a securities analyst. Prior to joining MCM in 2003, he served as an international equities analyst at Driehaus Capital Management in Chicago from 2000 to 2003. Mr. Malhotra was awarded the designation of Chartered Financial Analyst (“CFA”) in 2006. He holds a Bachelor’s degree in Economics from Loyola University of Chicago. Mr. Malhotra was born in 1978.

The CFA program is a three-level graduate self-study program that combines a broad-based curriculum of investment principles with professional conduct requirements tested in several exams, and typically requires 2-5 years and prior qualifying experience to complete.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

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**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR A. DOUGLAS RAO**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about A. Douglas Rao that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

A. Douglas Rao is the portfolio manager of accounts managed in MCM’s Flexible Capital strategy, and a co-portfolio manager of accounts managed in MCM’s Focused Growth strategy and Diversified Growth strategy. Mr. Rao is also a senior analyst on MCM’s Investment team.

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**Item 2. Educational Background and Business Experience**

Mr. Rao has over 10 years of experience as a securities analyst. Prior to joining MCM in 2005, he spent more than four years at Trust Company of the West (“TCW”) where he was a Senior Vice President and Financial Services Analyst for U.S. equities. He holds a Bachelor’s degree in History from the University of Virginia and an MBA from the University of California, Los Angeles. Mr. Rao was born in 1974.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

Under MCM's compliance and supervision policy and procedures, every MCM employee has the responsibility to know and follow MCM's procedures, and is subject to supervision by MCM's management and the compliance department. Thomas F. Marsico is responsible for managing MCM's Investment team. If you have a question about the management of your account, you can call Mr. Marsico or a representative of MCM's Compliance department at (303) 454-5321, or write to them at the address for MCM listed on the previous page.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR JOSHUA N. RUBIN**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about Joshua N. Rubin that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Joshua N. Rubin is a co-portfolio manager of accounts managed in MCM’s Emerging Markets strategy. Mr. Rubin is also a senior analyst on MCM’s Investment team.

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**Item 2. Educational Background and Business Experience**

Mr. Rubin has over 10 years of experience in the financial services industry. Prior to joining MCM in 2005, he served as an assistant vice president at George K. Baum & Company, an investment bank. He holds a BSFS degree from Georgetown University, Walsh School of Foreign Service. Mr. Rubin was born in 1978.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

Under MCM's compliance and supervision policy and procedures, every MCM employee has the responsibility to know and follow MCM's procedures, and is subject to supervision by MCM's management and the compliance department. Thomas F. Marsico is responsible for managing MCM's Investment team. If you have a question about the management of your account, you can call Mr. Marsico or a representative of MCM's Compliance department at (303) 454-5321, or write to them at the address for MCM listed on the previous page.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR CHARLES K. WILSON**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about Charles K. Wilson that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Charles K. Wilson is a co-portfolio manager of accounts managed in MCM’s Emerging Markets strategy. Mr. Wilson is also a senior analyst on MCM’s Investment team.

MCM’s address, telephone number, and website are:

Marsico Capital Management, LLC  
1200 17<sup>th</sup> Street, Suite 1600  
Denver, Colorado 80202-5824  
Phone: 303-454-5600  
[www.marsicocapital.com](http://www.marsicocapital.com)

**Item 2. Educational Background and Business Experience**

Mr. Wilson has over five years of experience in the financial services industry. Prior to joining MCM in January 2006, he was a post-doctoral scholar with the Lamont-Doherty Earth Observatory at Columbia University. Mr. Wilson was also a post-doctoral fellow at Stanford University from 2003 to 2004. He holds a BS degree from the University of Arizona and a Ph.D. in Geophysics from the University of Colorado. Mr. Wilson was born in 1975.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

Under MCM's compliance and supervision policy and procedures, every MCM employee has the responsibility to know and follow MCM's procedures, and is subject to supervision by MCM's management and the compliance department. Thomas F. Marsico is responsible for managing MCM's Investment team. If you have a question about the management of your account, you can call Mr. Marsico or a representative of MCM's Compliance department at (303) 454-5321, or write to them at the address for MCM listed on the previous page.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT FOR CORALIE T. WITTER, CFA**

**March 29, 2011**

**Item 1. Cover Page**

This document provides information about Coralie T. Witter, CFA, that supplements the brochure (also known as Part 2A) provided by Marsico Capital Management, LLC to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Coralie T. Witter, CFA, is a co-portfolio manager of accounts managed in MCM’s Focused Growth strategy and Diversified Growth strategy. Ms. Witter is also a senior analyst on MCM’s Investment team.

MCM’s address, telephone number, and website are:

Marsico Capital Management, LLC  
1200 17<sup>th</sup> Street, Suite 1600  
Denver, Colorado 80202-5824  
Phone: 303-454-5600  
[www.marsicocapital.com](http://www.marsicocapital.com)

**Item 2. Educational Background and Business Experience**

Ms. Witter has over 15 years of experience as a securities analyst. Prior to joining MCM in 2004, she spent six years with Goldman, Sachs & Co., where she was a Vice President in Equity Research and the lead analyst covering the restaurant industry. Ms. Witter also covered various internet companies for several years. She was awarded the designation of Chartered Financial Analyst (“CFA”) in 1998. She graduated from the University of Colorado and holds a Bachelor’s degree in International Affairs. Ms. Witter was born in 1971.

The CFA program is a three-level graduate self-study program that combines a broad-based curriculum of investment principles with professional conduct requirements tested in several exams, and typically requires 2-5 years and prior qualifying experience to complete.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

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# MARSICO

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## CAPITAL MANAGEMENT®

### NOTICE OF PRIVACY POLICY FOR CONSUMERS

#### WHAT YOU SHOULD KNOW

Marsico Capital Management, LLC (“MCM”) maintains a privacy policy that is intended to protect private customer information. This notice gives you information about the privacy policy.

We recognize our obligation to keep information about you secure and confidential. It's important for you to know that we do not sell or share Customer Information with marketers outside MCM except as permitted by law. So, there is no need for you to tell us not to. You also need to know that we carefully manage information among our service providers to give you better service, more convenience, and to offer benefits to you.

MCM's privacy policy covers Customer Information, which means personally identifiable information about a consumer or a consumer's current or former relationship with MCM. This notice discussing the privacy policy is provided to you as required by the Federal Financial Privacy Law.

#### MAKING THE SECURITY OF INFORMATION A PRIORITY

Keeping financial information secure is one of our most important responsibilities. We value your trust, and we handle information about you with care. Our associates are bound by confidentiality agreements requiring confidential treatment of Customer Information. Your Customer Information may also be handled by service providers for MCM. We limit access to Customer Information to those service providers who need to know that information to provide products and services to you or to maintain or service those products or services.

We maintain physical, electronic and procedural safeguards to protect Customer Information. We continually assess new technology for protecting information and we upgrade our systems when appropriate.

#### COLLECTING INFORMATION

We collect and use various types of information to service your accounts, to save you time and money, and to better understand your needs.

We collect the following Customer Information about you from the following sources:

1. Information you provide to us on applications and contracts and through other means, such as your name, address and social security number.

2. Information about your transactions and account experience with us, such as your account balance, investment history, and information about our communication with you, such as account statements and trade confirmations.

## **SHARING INFORMATION WITH COMPANIES THAT WORK FOR US**

We may share all types of Customer Information with service providers that work for us to provide you with products and services that you've requested or already have with us. We share only the information needed to provide those products and services and to provide a good customer experience. These service providers may include financial service providers such as an account's administrator, and non-financial companies such as data processing companies. These service providers might assist us, for example, in fulfilling our service request, processing your transaction, maintaining company records, or helping us mail account statements and trade confirmations. In addition, we may share any of the types of Customer Information with affiliated and non-affiliated financial institutions that work for us to provide marketing and other services. All of these companies act on our behalf, and are contractually obligated to keep the information that we provide to them confidential, and use the information only to provide the services we've asked them to perform for you and us.

## **DISCLOSING INFORMATION IN OTHER SITUATIONS**

We may also disclose any of the types of Customer Information to non-affiliated third parties when permitted or required by law. This may include a disclosure in connection with a subpoena or similar legal process, an investigation, or an audit or examination. We may also share any of the types of Customer Information outside our family of service providers if we have your consent.

## **MAKING SURE INFORMATION IS ACCURATE**

Keeping the information about your account accurate and up-to-date is very important. We provide you with access to account information through various means such as account statements. If you ever find that your account information is incomplete, inaccurate or not current, or if you have any other questions, please contact us. We will try to update or correct any erroneous information or investigate your inquiry or complaint as quickly as possible.

## **KEEPING UP-TO-DATE WITH OUR PRIVACY POLICY**

We will provide notice of our privacy policy annually, as long as you maintain an ongoing relationship with us. MCM's privacy policy may change from time to time.

## PROXY VOTING POLICY

Marsico Capital Management, LLC (“Adviser”) has written proxy voting policies and procedures as required by Rule 206(4)-6 under the Investment Advisers Act. The policy generally provides that:

It is the policy of Adviser to seek to vote or otherwise process, such as by a decision to abstain from voting or to take no action on, proxies over which it has voting authority in the best interests of Adviser’s clients, as summarized here.

- Adviser’s security analysts generally review proxy proposals as part of their monitoring of portfolio companies. Under Adviser’s investment discipline, one of the qualities that Adviser generally seeks in companies selected for client portfolios is good management teams that generally seek to serve shareholder interests. Because Adviser believes that the management teams of most companies it invests in generally seek to serve shareholder interests, Adviser believes that voting proxy proposals in clients’ best economic interests usually means voting with the recommendations of these management teams (including their boards of directors).
- In certain circumstances, Adviser’s vote-by-vote analysis of proxy proposals could lead it to conclude that particular management or board recommendations may not appear as closely aligned with shareholder interests as the Adviser may deem desirable, or could be disregarded in the best interests of shareholders. In those and other circumstances, Adviser may, in its sole discretion, vote against a management or board recommendation (or abstain or take no action) based on its analysis if such a vote appears consistent with the best interests of clients.
- Adviser may process certain proxies without voting them, such as by making a decision to abstain from voting or take no action on such proxies (or on certain proposals within such proxies). Examples include, without limitation, proxies issued by companies that Adviser has decided to sell, proxies issued for securities that Adviser did not select for a client portfolio (such as, without limitation, securities that were selected by a previous adviser, unsupervised securities held in a client’s account, money market securities, or other securities selected by clients or their representatives other than Adviser), or proxies issued by foreign companies that impose burdensome or unreasonable voting, power of attorney, or holding requirements. Adviser also may abstain from voting, or take no action on, proxies in other circumstances, such as when voting may not be in the best interests of clients, as an alternative to voting with (or against) management, or when voting may be unduly burdensome or expensive, or if Adviser may have a material conflict of interest in voting certain proxies and alternative voting procedures are not desirable.
- In circumstances when there may be an apparent material conflict of interest between Adviser’s interests and clients’ interests in how proxies are voted (such as when Adviser knows that a proxy issuer is also an Adviser client), Adviser generally will resolve any appearance concerns by causing those proxies to be “echo voted” or “mirror voted” in the same proportion as other votes, by voting the proxies as recommended by an independent service provider, or by abstaining or taking no action. In other cases, Adviser might use other procedures to resolve an apparent material conflict.
- Adviser may use an independent service provider to assist in voting proxies, keep voting records, and disclose voting information to clients. Adviser’s Proxy Voting policy and reports describing the voting of a client’s proxies are available to the client on request.
- Adviser seeks to ensure that, to the extent reasonably feasible, proxies for which Adviser receives ballots in good order and receives timely notice will be voted or otherwise processed (such as through a decision to abstain or take no action) as intended under Adviser’s Proxy Voting policy and procedures. Adviser may be unable to vote or otherwise process proxy ballots that are not received or processed in a timely manner due to functional limitations of

the proxy voting system, custodial limitations, or other factors beyond Adviser's control. Such ballots may include, without limitation, ballots for securities out on loan under securities lending programs initiated by the client or its custodian, ballots not timely forwarded by a custodian, or ballots for which Adviser does not timely receive essential information such as the proxy proposal itself or modifications to the required voting date. Other ballots may be voted but not counted, or may be counted in an unexpected way, because of factors such as foreign voting requirements or other limitations.