

services). In such instances, Alkeon will make a good faith effort to determine the relative proportion of the product or service used to assist Alkeon in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or non-research purposes. The proportion of the product or services attributable to assisting Alkeon in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other non-research purposes will be paid for by Alkeon from its own resources.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. Alkeon uses soft dollars solely to pay for (i) certain expenses which would otherwise be borne by a client account (and which therefore do not involve the conflict of interest issues normally presented by “soft dollar” arrangements) or (ii) products or services that qualify as “research and brokerage services”, within the meaning of Section 28(e). In some cases, these services are generated by third parties but are provided to Alkeon by or through brokers.

Alkeon may pay to a broker commissions and mark-ups that exceed those that another broker might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker provides. Alkeon determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or Alkeon’s overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from Alkeon’s brokerage relationships benefit Alkeon’s operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct Alkeon to use a broker that does not provide Alkeon with soft dollar services. Alkeon does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

Alkeon’s relationships with brokers that provide soft dollar services influence Alkeon’s judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not and in allocating the costs of mixed-use products between their research and non-research uses. Alkeon has an incentive to select or recommend a broker based on Alkeon’s interest in receiving soft dollar services rather than clients’ interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that Alkeon uses soft dollars to pay expenses it would otherwise be required to pay itself.

To address these conflicts of interest Alkeon, Alkeon utilizes a Brokerage Committee that usually meets on a quarterly basis to review items such as the research and execution services provided by brokers and soft dollar services, among others. The Brokerage Committee is comprised of representatives from Research, Compliance and Operations. The Brokerage