

Item 1. Cover Page

MIO PARTNERS, INC.

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of MIO Partners, Inc. (“MIO”). If you have any questions about the contents of this brochure, please contact us at (212) 415-1601. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Registration with the SEC does not imply a certain level of skill or training.

Additional information about MIO is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This Brochure is expanded to discuss financial advice provided to McKinsey partners and their immediate family members.

Important Note about this Brochure

This Brochure is not:

- ***an offer or agreement to provide advisory services to any person***
- ***an offer to sell (or a solicitation of an offer to purchase) any security***
- ***a complete discussion of the features, risks or conflicts associated with any Fund or Portfolio(as defined below) advised by MIO***
- ***to be relied on in determining whether to invest***

As required by the Advisers Act, MIO provides this Brochure to current and prospective Clients (i.e., the Funds and Portfolios) and may also, in its discretion, provide this Brochure to current or prospective Investors in a Fund or Portfolio, together with other relevant Offering Materials, prior to, or in connection with, such persons' investment in a Fund. Additionally, this Brochure is available through the SEC's Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of MIO, persons who receive this Brochure (whether or not from MIO) should be aware that it is designed solely to provide information about MIO as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant Offering Materials. More complete information about each Fund and Portfolio, is included in relevant Offering Materials, certain of which may be provided to current and eligible prospective Clients or Investors only by MIO or an affiliate. To the extent that there is any conflict between discussions herein and similar or related discussions in any Offering Materials, the relevant Offering Materials shall govern and control.

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Item 4. Advisory Business

MIO Partners, Inc. (“MIO”), a Delaware corporation, provides investment advice on a discretionary basis exclusively to (i) privately offered investment vehicles established for investment by eligible employees of McKinsey & Co., Inc. (“McKinsey”), the ultimate parent company of MIO, McKinsey’s subsidiaries and affiliates, former partners of McKinsey and the immediate family members of eligible employees and former partners of McKinsey, and (ii) the McKinsey Master Retirement Trust (the “Master Retirement Trust”), a pension plan sponsored by McKinsey, other McKinsey pension or benefit plans and investment vehicles established to facilitate investments by the Master Retirement Trust and other plans.

The Master Retirement Trust is the funding vehicle for the McKinsey pension or benefit plans. Participants in the plans determine the allocation of the assets of the plans to the various investment portfolios of the Master Retirement Trust (each, a “Portfolio”). MIO is responsible for investing the assets of each of the Portfolios. The assets of the Portfolios are managed in compliance with the requirements of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

The investment vehicles for which MIO provides investment advice (as either the managing member or the investment manager) are referred to herein as the “Funds.” The Funds and the Portfolios are sometimes referred to herein collectively as the “Clients.” As a courtesy to McKinsey partners and their family members, MIO offers financial advice on a no-fee basis. Such partners and their family members may also invest in the Funds or have interests in one or more of the Portfolios but are not, for purposes of this Brochure, included in the defined term “Client”.

Certain of the Funds are employees’ securities companies registered as investment companies pursuant to Section 8(a) of the Investment Company Act of 1940 but are otherwise generally exempt from the provisions thereof pursuant to an exemption pursuant to Section 6(b) of the Act.

In advising the Clients, MIO generally employs a “fund of funds” strategy of investing in other investment vehicles that employ a wide variety of investment strategies. Clients generally invest, either directly or indirectly through one or more of the other Funds, in private, non-registered investment vehicles (“Portfolio Funds”) managed by unaffiliated portfolio managers specializing primarily in moderate to high risk investment strategies. Such investments may include, without limitation, commodity pools, hedge funds, real estate partnerships, debt funds of various countries, oil and gas investment vehicles, bankruptcy funds, private equity funds and funds investing in special situations. Clients also may invest in managed accounts (“Managed Accounts”) that pursue similar strategies and are managed by unaffiliated portfolio managers. The advisers to the Portfolio Funds and the managers of the Managed Accounts are collectively referred to herein as the “Portfolio Managers.”

MIO has full discretion in all investment and trading decisions made on behalf of the Clients. Investment advice is provided directly to the Clients according to each Client’s particular investment objectives and not individually to the Client’s investors or participants.

MIO commenced operations in 1992. MIO is a wholly-owned indirect subsidiary of McKinsey.

As of December 31, 2011, MIO managed \$19.06 billion of Client assets (based on gross assets) and \$6.4 billion (based on net asset value), all on a discretionary basis. Financial advice is purely non-discretionary. Recipients of such advice must determine, for themselves, whether and how to implement such advice.

Item 5. Fees and Compensation

Management Fee

MIO is entitled to receive from certain of the Funds a monthly management fee (the “Management Fee”) of up to 1/12 of 1.00% of the balance of each investor’s capital account (including any “Designated Investments,” as discussed below), paid monthly in arrears (approximately a 1.00% annual rate). The Management Fee is intended generally to compensate MIO for certain expenses incurred by MIO or its affiliates in the provision of management and advisory services to the applicable Fund. Certain Funds may have different Management Fees, as described in the pertinent offering documents.

Waiver; Rebates

MIO may waive or rebate part or all of the Management Fee in the case of certain Fund investors. Such waiver or rebate will have no adverse effect on any other investor. No such waiver or rebate will entitle any other investor to a waiver or rebate. Investments in a Fund by McKinsey, affiliates of McKinsey, MIO and its employees and other related persons may not be subject to all or a portion of the Management Fees.

Fee/Allocation Limit

The Management Fees paid and any future profit allocations (which may be permissible under Fund governing documents but are not now being assessed) made to MIO will not, in the aggregate, exceed 1.0% of the net asset value of a capital account for any fiscal year (the “Fee/Allocation Limit”). MIO may increase the Management Fee, impose a profit allocation and/or increase the Fee/Allocation Limit either upon (i) obtaining the consent of the majority of the investor interests (excluding MIO’s interest) in the applicable Fund or (ii) notice to each investor and the provision of an opportunity to make a complete capital withdrawal, excluding any amount allocated to Designated Investments. The reimbursement of MIO’s expenses (as described below) together with the Management Fee may exceed the Fee/Allocation Limit.

Other Types of Fees and Expenses

Fund investors bear indirectly the fees and expenses charged to the Funds. These fees vary, but typically include (but are not limited to) the applicable Fund’s ordinary administrative and operating expenses, including fees and expenses for risk management, investment due diligence and compliance support; the Fund’s ordinary and recurring investment expenses, including custodial costs, brokerage costs, interest charges and other costs associated with subscribing for, holding and redeeming interests in the Portfolio Funds; fees of any administrator or any other service provider to the Fund; fees and profit-sharing payments due to unaffiliated advisers,

affiliated advisers, sub-advisers and consultants; legal fees (including costs in connection with the negotiation of side letters); and accounting and auditing expenses. The Fund also will pay any extraordinary expenses it may incur, including any litigation and other legal expenses. Subject to the following paragraph, the Fund may also bear all fees, costs and expenses of MIO pertaining to the administration of the Fund, whether internal or external, including consulting, accounting, audit, regulatory, compliance and legal expenses, costs of any litigation or investigation involving the Fund's activities, and costs associated with reporting and providing information to existing and prospective investors. Please see also Item 12 ("Brokerage Practices") below.

MIO is responsible for its own general operating and overhead costs including compensation of its employees responsible for managing the affairs of the Funds.

Portfolio Manager Compensation; Layering of Fees

The Funds generally invest a majority of their capital in Portfolio Funds. The Funds pay or otherwise bear certain fees and expenses in connection with their investments in the Portfolio Funds. The compensation to be paid to the Portfolio Managers and their affiliates may include asset-based management and administrative fees and/or performance-based allocations and incentive fees. Generally, the Portfolio Funds bear their own operating and investment related expenses, which are shared by the Portfolio Fund investors, including the applicable Client(s).

The Management Fee payable to MIO and the compensation of the Portfolio Managers result in two levels of fees and greater expenses than would be associated with direct investment. If a Portfolio Fund invests in pooled vehicles (e.g., money market funds for cash management purposes), Clients will be exposed to an additional layer of fees associated with such vehicles.

Master Retirement Trust

MIO receives no direct compensation for the performance of its obligations as investment manager for the Master Retirement Trust. It is reimbursed for certain expenses incurred as a result of the management of the Master Retirement Trust in accordance with ERISA. The Master Retirement Trust invests in Funds which are subject to other expenses, as described above.

Side Letters

MIO and/or a Fund may from time to time enter into side letters granting certain Fund investors different rights, including but not limited to, rights relating to fees and liquidity. MIO will review each proposed side letter to determine that it is fair and reasonable to the Fund investors, does not involve overreaching of the Fund or its investors and is consistent with the interests of the Fund investors. No side letter provided to a Fund investor by MIO and/or the Fund will necessarily entitle any other investor to the rights granted in the side letter.

Item 6. Performance-Based Fees and Side-by-Side Management

N/A.

Item 7. Types of Clients

As described in Item 4, MIO provides investment advice to privately offered Funds and the Master Retirement Trust and other McKinsey pension and benefit plans. Included in the Funds are employees' securities companies that are the subject of an exemptive order from the Securities and Exchange Commission ("SEC").

Investment in the Funds is offered solely to the following persons (collectively, "Eligible Investors"): (i) current and former McKinsey partners, (ii) current employees of McKinsey and MIO (together with current and former McKinsey partners, "Eligible Employees"), (iii) the immediate family members of Eligible Employees and (iv) trusts or other entities settled by an Eligible Employee or benefiting an Eligible Employee and his or her immediate family members. Only Eligible Investors who are "accredited investors" as defined in Regulation D under Section 4(2) of the Securities Act of 1933 (and, in the case of certain Funds, qualified purchasers) will be eligible to invest in the Funds.

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

Methods of Analysis and Investment Strategies

General

As described in Item 4, MIO generally employs a "fund of funds" strategy of investing in Portfolio Funds and Managed Accounts managed by unaffiliated Portfolio Managers.

The Portfolio Managers with which the Clients invest generally have strategies with a primary objective of capital appreciation from investing or trading in equity or debt securities, whether publicly or privately traded or issued, institutional private claims, commodities and forward and other financial instruments, including, but not limited to, future and options.

In selecting Portfolio Managers, MIO may consider, among other things, factors such as above-average historical performance and/or recognizable prospects, an identifiable track record and a substantial personal investment in the investment program by the Portfolio Manager and/or its key personnel. MIO is not limited to selecting Portfolio Managers that have stand-alone track records and may allocate capital to Portfolio Managers that are in the start-up phase of their operations.

The Portfolio Managers generally have broad discretion to engage in a wide variety of strategies, both leveraged and unleveraged, and to invest in a broad variety of instruments, whether publicly or privately traded or issued, including, but not limited to, preferred and common equities, convertible securities, bills, notes, bonds, mortgages, real estate and other assets, repurchase agreements, various derivatives, including credit-default swaps, options, swaps, swaptions, futures and forward contracts (both listed and over-the-counter) on various financial instruments, commodities and currencies. There are no material limitations on the instruments, markets or strategies in which the Portfolio Managers may trade. (See "Illustrative Investment Strategies" below.)

MIO generally attempts to create a portfolio of opportunistic and specialized investment and trading strategies which, when combined, seek attractive returns with moderate volatility. Through investments in the Funds, Eligible Investors and the Portfolios are exposed to a variety of securities and other financial or non-financial instruments. Hence, there should be less sensitivity to the overall performance of equity markets than pure equity funds.

In addition, MIO generally invests a portion of the Clients' capital with Portfolio Managers that seek to profit from market anomalies or mispricings by engaging in relative value trading. Relative value trading profits generally result from the creation of securities positions or portfolios that have approximately equal long and short exposures to the same market factors. For instance, if a Portfolio Manager observes a discrepancy between the prices of related securities (such as a stock and a bond convertible into the stock or stock and options on the stock), the Portfolio Manager will purchase the undervalued security and sell short the overvalued security.

MIO seeks to minimize volatility by engaging in a broad spectrum of hedging strategies in different U.S. and non-U.S. securities markets. MIO seeks to further mitigate volatility by reducing manager-specific risk by hiring several Portfolio Managers for most strategies. Each Portfolio Manager, in turn, typically seeks to diversify exposures across numerous trades in its specialized market.

In general, MIO will determine, in its sole discretion, the percentage of a Client's capital that may be invested in any particular investment strategy or with a particular Portfolio Manager. For certain Funds that are invested across multiple asset classes, MIO generally does not expect to invest in excess of 50% of the Fund's net assets (calculated at the time of investment) in any single strategy type, but may do so from time to time.

MIO also may directly invest a Client's assets, either directly or through one or more Acquisition Vehicles, as described below.

Certain Clients will invest in one or more of the other Funds, with the remaining portion of the assets invested in, for example (and without limitation), cash equivalents, bonds, inflation-linked bonds, other fixed income securities, liquid investments and various hedging instruments.

Direct Investments

MIO also may commit the Clients' capital to direct investments including through investment vehicles managed or advised by MIO or its affiliates that are formed to acquire one or more direct investments ("Direct Investments"). MIO may make Direct Investments on an opportunistic basis with the objective of enhancing returns or for risk management purposes. Direct Investments may also include derivative instruments used to achieve generic portfolio exposure including, but not limited to, equity market beta, interest rate duration and commodities.

Direct Investments may include investments in a broad variety of financial instruments, including, but not limited to, equity and equity-related securities, bonds and other fixed income instruments, foreign exchange transactions, swaps, options, repurchase agreements, commodities, futures and forwards and individually customized over-the-counter instruments

and other derivatives. Direct Investments may be long and short positions and may include leverage. Direct Investments may be executed individually by the Client or by the Client in conjunction with other entities or separate accounts advised by MIO.

Certain Direct Investments may be made in Designated Investments, as described below.

Designated Investments

The Portfolio Funds are increasingly classifying certain of their positions as “Designated Investments.” Designated Investments are typically illiquid and without any readily-determinable value. Investors cannot withdraw from Designated Investments but instead must continue to participate in such Designated Investments until the Portfolio Fund in question liquidates the position (even if an investor has otherwise withdrawn from the Portfolio Fund).

MIO believes that a number of the more successful Portfolio Funds will make increasing use of Designated Investments as a means of participating in longer-term, higher profit potential positions. When Fund investors withdraw, a Fund may effectively buy out their indirect Designated Investment participations at the “fair value” set by the underlying Portfolio Funds. However, doing so could materially affect both withdrawing and continuing Fund investors were Designated Investments to become a material part of the Portfolio Funds’ holdings. MIO hence reserves the right to routinely issue to withdrawing Fund investors residual interests in the Designated Investments in which the Fund is participating as of the date of their complete withdrawal from the Fund’s liquid portfolio (the “General Portfolio”). MIO, in its sole discretion, intends to issue such residual interests only as it deems necessary for the equitable treatment of all Fund investors.

MIO also may commit a Client’s capital to Designated Investments acquired directly by the Client or through one or more investment vehicles managed or advised by MIO or its affiliates that are formed to acquire an investment (each, an “Acquisition Vehicle”). Only the Fund investors who are invested in the Fund at the time that an investment is so classified will participate in the Designated Investment, and such investors must continue to participate in the Designated Investment until it is liquidated (which may be a considerable period of time after an investor’s withdrawal from the Fund).

Designated Investments may be investments in Portfolio Funds that are themselves illiquid. However, MIO may invest a substantial portion of the Designated Investments portion of a portfolio in operating issuers or other positions rather than in Portfolio Funds. In addition, MIO may include hedging positions as part of a Designated Investment. A Designated Investment need not be illiquid, and there is no limitation on the types of investments that MIO may choose to classify as Designated Investments.

Illustrative Investment Strategies

The following are examples, without limitation, of specific investment strategies and methods that may be engaged in by the Clients, the Portfolios or the Managed Accounts. Each Client invests according to its own particular investment objectives and guidelines, and not all Clients will engage in any particular strategy. Any Client assets that are plan assets are managed according to the requirements of ERISA.

Event Driven Strategies

- *Merger Arbitrage.* This strategy typically involves buying the stock of a company being acquired in a merger and selling short the stock of the acquiring company.
- *Capital Structure Arbitrage.* In capital structure arbitrage, a Portfolio Manager will take a long position in a debt security and hedge that position with a short position in a junior debt security or equity security of that issuer expected to move similarly in price, thereby attempting to limit downside risk while preserving a senior position.
- *Distressed Investing.* This strategy typically involves purchasing securities of companies in or near bankruptcy, liquidation or reorganization and sometimes selling stock of the same companies short.
- *Strategic Block Investing.* This strategy typically involves taking positions to attempt to influence positive corporate change.

U.S. and Global Equity Hedge Strategies

Equity hedge Portfolio Managers opportunistically take directional positions either long or short, based on individual security valuations or, to a lesser extent, in response to overall macro-economic views.

Opportunistic Strategies

These Portfolio Managers seek to generate capital appreciation primarily by establishing both long and short positions in U.S. equity securities. They may utilize leverage. Under most circumstances, such Portfolio Managers will maintain net long market exposures. Their investments may be highly concentrated and may lack liquidity. In most cases, opportunistic Portfolio Managers tend to trade positions within their portfolio actively, which results in high levels of portfolio turnover.

Global Asset Allocators and Trading Strategies

These Portfolio Managers typically take long and short positions in commodities, currencies or financial instruments globally, but may also invest in stocks and bonds based either on broad macro-economic views or technical trading systems. Market exposure may be achieved either through cash, futures, options or customized derivatives.

Global International Strategies

These Portfolio Managers seek to generate capital appreciation through a variety of globally-oriented strategies, such as long/short equity strategies, warrant and option arbitrage, hedging strategies, inter- and intra-market equity spread trading; futures, options, and currency trading; and emerging markets and other special situation investing. These Portfolio Managers may assume aggressive investment postures with respect to position concentrations, use of leverage, and various instruments used, and typically have high levels of portfolio turnover.

Commodity Trading Strategies

Clients may invest in commodity pools or managed accounts directed by commodity traders who may generally be classified as either systematic or discretionary. Systematic traders rely primarily on trading programs or models that generate trading signals. Discretionary traders primarily make trading decisions based on their own judgment and “trading instinct.”

Multi-Strategy Convertible Arbitrage

These Portfolio Managers employ relative value or hedging strategies in equity and fixed income markets. Typically, a Portfolio Manager purchases or sells convertible bonds, preferred stocks, warrants or options that are determined to be under or over valued relative to their underlying equity security and as such may be long or short an amount of the corresponding equity security. Profit from these positions is sought through receipt of coupon interest or net dividend payments, rebates on short positions and changes in the spread between the instruments. In addition, profit may be sought from dynamic trading and premiums from writing options to capture volatility spreads as well as from positive carry spreads related to certain convertible bonds.

Fixed Income Arbitrage

In this strategy, Portfolio Managers seek to exploit, among other things, pricing anomalies between bond futures contracts and underlying bonds of similar but not necessarily identical maturities or other related fixed income securities. Sub-strategies may include, but are not limited to:

- *Relative Value Arbitrage.* Relative value arbitrage may employ quantitative or qualitative approaches to credit evaluation for the purposes of long and short credit positions. Quantitative techniques may include default probability models which generate default risks to compare to market pricing on predominately debt securities. Qualitative approaches may focus on assessments of broader information seeking bonds whose credit quality may be improving or deteriorating.
- *Basis Trading.* Basis trading involves the purchase or sale of corporate bonds and the hedge supplied by the purchase or sale of default protection.
- *Index Arbitrage.* Index arbitrage involves the trading of a corporate bond index versus a diversified basket of single name bonds reflective of the credits in the index traded or tranche level arbitrage.

Structured Investments

Clients may invest in the Portfolio Funds either directly or indirectly through a structured note or other derivative instrument (each such instrument, a “Structured Investment”). The value of Structured Investments depends largely upon price movements in the underlying Portfolio Funds to which such Structured Investments are linked. Structured Investments expose the Client to the credit risk of the parties with which it deals. Non-performance by parties of the obligations or contracts underlying the Structured Investments could expose the Client to losses, whether or not the transaction itself was profitable. Structured Investments may expose the Client to additional

liquidity risks as there may not be a liquid market within which to close or dispose of outstanding obligations or contracts. MIO or an affiliate may serve as counterparty to the Client for certain Structured Investments and may earn additional revenues in connection with structuring such transactions. Such transactions will only be undertaken when MIO believes they are in the best interest of the Client.

Long/Short Equities

This strategy typically involves purchasing a group of stocks that the Portfolio Manager believes are undervalued and simultaneously selling short a group of stocks (with similar risk characteristics) that the Portfolio Manager believes are overvalued. Long/Short Equity strategies generally seek to produce returns from investments in the global equity markets. These strategies are generally focused on absolute returns and the trades implemented in the strategy generally capitalize on the Portfolio Manager's views and outlooks for specific equity markets, regions, sectors and securities.

Global and Regional Equity Hedge Strategies

Global and regional equity hedge Portfolio Managers generally seek long-term capital appreciation through actively managed portfolios of investments, including long and short positions, in securities of companies located throughout the world. Such Portfolio Funds typically also use hedging techniques in order to maximize portfolio return and reduce risk.

Hedging Strategies

Certain Portfolio Managers employ various investment strategies, including relative value strategies and hedging strategies, in an attempt to provide a reasonable expectation of capital appreciation and/or earnings with low downside risk.

Less Liquid Portfolio Funds

Certain Portfolio Managers invest the capital of their Portfolio Funds in longer-term and less liquid investments, seeking the higher returns available from these longer-term positions. To accommodate the longer duration of their portfolio investments and for other reasons, many Portfolio Funds are restricting the liquidity offered to their investors ("Less Liquid Portfolio Funds"). MIO believes that there is a superior risk adjusted return to be earned from investing in Less Liquid Portfolio Funds.

Private Equity

MIO also believes that there is a superior risk adjusted return to be earned from investing in private equity. Private equity generally refers to the activity of investing in non-public companies and other private equity strategies or assets through privately negotiated transactions (such as venture capital investments, investments in buyout transactions, mezzanine debt and real estate). Clients may invest in Portfolio Funds that predominantly invest in private equity ("Private Equity Portfolio Funds") or Direct Investments in private equity.

Hedging and Overlay

MIO may employ hedging and/or “overlay strategies” in order to meet its investment objectives. Either MIO, a Portfolio Manager or a delegate appointed by MIO will be responsible for carrying out the hedging or overlay strategy.

Identification and Evaluation of Portfolio Managers

Portfolio Managers are selected based on MIO's subjective determination of their capabilities. MIO also considers client service and reporting and employs thorough due diligence to fully analyze the strategies and backgrounds of the Portfolio Managers.

The Portfolio Funds and Managed Accounts are generally managed by investment advisers unaffiliated with MIO. However, Clients may also invest in Portfolio Funds and Managed Accounts that are managed by MIO.

While MIO employs a range of statistical and qualitative analysis and other objective assessments of potential Portfolio Funds, it also emphasizes subjective evaluation of each Portfolio Manager, including, but not limited to:

- the Portfolio Manager's expertise and capabilities;
- the Portfolio Manager's dedication to its investment strategy and personal investment in its Portfolio Funds;
- the effectiveness and clarity of the investment strategy employed, including the Portfolio Manager's manner of addressing risks;
- the Portfolio Manager's personal character; and
- the efficacy of the Portfolio Manager's operation.

MIO continuously identifies and assesses Portfolio Managers for potential investment and evaluates the merit of continued inclusion of each Portfolio Fund in a Client's portfolio. MIO may allocate and reallocate the assets of a Client among the Portfolio Managers and the Portfolio Funds (as well as the Direct Investments).

Affiliated Funds

A Client may access investments indirectly by investing its assets in investment funds managed by MIO or its affiliates (the "Affiliated Funds"). Each of the Affiliated Funds will focus on one of the major categories of investment strategies utilized by the Company. In addition, a Client may invest with Portfolio Managers in which it has an ownership stake.

Leverage

The Portfolio Funds may be able to borrow without limitation and may utilize various lines of credit and other forms of leverage, including swaps and repurchase agreements.

Designated Investments

MIO may commit a Client's capital to Designated Investments acquired directly or through one or more Acquisition Vehicles. MIO believes that doing so has the potential to significantly enhance the profitability of the Client, by enabling it to commit significantly greater amounts of

capital to longer-term investments. However, Fund investors will not be able to withdraw capital attributable to Designated Investments until they are liquidated — which may be an indefinite period of time after a Fund investor has otherwise withdrawn from the Fund.

Other Strategies

MIO also manages certain passive investment strategies for the Master Retirement Trust, including strategies focusing on, *e.g.*, equity, inflation-linked bonds and European bonds.

Material Risks of MIO's Strategies

The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Clients' investments. This summary does not attempt to describe all of the risks associated with an investment in a Fund. Although no summary can fully describe all of the risks associated with such an investment, the confidential private placement memorandum or confidential offering memorandum for a Fund contains a more complete description of the risks associated with an investment in the Fund.

All investments involve the risk of loss of capital. There can be no assurance that Clients will achieve their investment objectives or avoid substantial losses.

Portfolio Fund Investments

Among the principal disadvantages and risks inherent in the Clients' investments in Portfolio Funds are the restrictions imposed on MIO's asset allocation flexibility and risk control as a result of the limited liquidity of the Portfolio Funds, as well as their limited availability to accept Client investments.

The Portfolio Funds are unregistered and interests therein are subject to legal or other restrictions on transfer. It may be impossible for a Client to redeem its interests in the underlying Portfolio Funds when desired or to realize their fair value in the event of such redemption. The Portfolio Funds are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were registered or publicly traded.

A Portfolio Fund typically provides for a performance fee or allocation to its general partner, managing member, manager, or person serving in an equivalent capacity over and above a basic asset-based management fee. Performance fees or allocations could create an incentive for a Portfolio Manager to choose riskier or more speculative underlying investments than would otherwise be the case.

Portfolio Managers' Proprietary Investment Strategies

Portfolio Managers may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to MIO. These strategies may involve risks under some market conditions that are not anticipated by MIO. The Portfolio Funds generally use investment strategies that are different than those typically employed by traditional managers of portfolios of stocks and bonds. The investment niche, arbitrage opportunity or market inefficiency exploited by a Portfolio Manager may become less profitable over time as the

Portfolio Manager and competing asset managers or investors manage a larger group of assets in the same or similar manner (tending to arbitrage away the profit opportunities), or market conditions change. The strategies employed by Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods.

Less Liquid Portfolio Funds

A number of Portfolio Funds are restricting the liquidity offered to their investors. This trend could lead to suspended or delayed capital withdrawals and/or payments of withdrawal proceeds. In addition, MIO may commit a substantial portion of a Fund's capital to Less Liquid Portfolio Funds. Given an unusually high level of capital withdrawals or market stress, this commitment to Less Liquid Portfolio Funds could compel MIO to charge withdrawal fees, suspend capital withdrawals or dissolve the Fund, perhaps under disadvantageous market conditions.

Private Equity Funds

Investing in Private Equity Portfolio Funds is intensely competitive given the high level of investor demand such vehicles receive. The business of investing in leveraged acquisitions, venture capital opportunities and other private equity situations is also highly competitive.

Private Equity Portfolio Funds may not be profitable at the time of investment, may not have significant operating revenues and may experience substantial fluctuations in their operating results. Private Equity Portfolio Funds may utilize highly speculative investment techniques and have highly leveraged capital structures that make them more vulnerable to adverse financial or business developments than less highly leveraged companies.

Private Equity Portfolio Funds may distribute portions of their underlying investments to their investors. If the Company receives distributions in kind from any Private Equity Portfolio Fund in which it invests, it may incur additional costs and risks to dispose of such assets.

Designated Investments

The Portfolio Funds may invest a significant percentage of their capital in Designated Investments, which typically not only do not have a readily determinable market value but also do not permit any means of liquidity. MIO also has the authority to classify investments made by a Client as Designated Investments. Investors (including the Funds) may not withdraw from Designated Investments until they are liquidated, which may not only be a matter of years but also long after a Fund investor has otherwise withdrawn from the Fund.

Fund Leverage

A Client may borrow money for investment purposes ("leverage"). Leverage magnifies the volatility of the Client's investment portfolio and involves substantial risks. The more leverage is employed, the more likely a substantial change will occur in the value of the Client portfolio. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent leverage is utilized. The possible consequences of leverage include, but are not limited to: (i) greater fluctuations in the Client's net assets, (ii) use of cash flow for debt service, rather than for additional investments, withdrawals or other purposes and (iii) in certain

circumstances the Client may be required to prematurely liquidate investments to service its debt obligations.

Portfolio Fund Leverage

The Portfolio Funds may be able to borrow without limitation and may utilize various lines of credit and other forms of leverage, including swaps and repurchase agreements. While leverage presents opportunities for increasing a Portfolio Fund's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the Portfolio Fund will decrease. The cumulative effect of the use of leverage by a Portfolio Fund in a market that moves adversely to the Portfolio Fund's investments could result in a substantial loss to the Portfolio Fund.

Managed Account Allocations

MIO may place assets with Portfolio Managers through Managed Accounts rather than investing in Portfolio Funds. Managed Accounts expose the Clients to theoretically unlimited liability, so that if a Portfolio Manager uses leverage, a Client could lose more in a Managed Account directed by a particular Portfolio Manager than the Client had allocated to the Portfolio Manager.

Investment Opportunities May Be Limited

The conditions in the markets on which certain of the Portfolio Funds intend to capitalize are extraordinary and may be much shorter-lived than expected. It is possible that the Portfolio Managers may not be able to identify sufficient market opportunities in which to invest the Portfolio Funds' capital. In this situation, Fund investors would not achieve the level of diversification that MIO would otherwise deem advisable, and the inability to invest their entire capital could materially diminish the profit potential of the pertinent Fund(s).

Merger Arbitrage Investing

Due to the inherently speculative nature of merger arbitrage investing, the results may fluctuate from period to period and are not expected to correlate with the direction of the equity markets.

Generally, investments are made in the securities of a company engaging in an extraordinary transaction or event after the event has been announced. Because the price offered for securities of a company involved in an announced deal will generally be at a significant premium above the market price prior to the announcement, the failure of a proposed transaction to close or a delay in the closing is generally followed by a significant decline in the value of the securities, perhaps below the price paid for the securities.

Convertible Arbitrage Investing

While this investment strategy is considered to be relatively "market neutral," there are many associated risks that can affect the results of this strategy. Such risks include, but are not limited to: (i) dramatically rising interest rates or escalating market volatility may adversely affect the relationship between securities; (ii) convertible securities tend to be significantly less liquid and

have wider bid/offer spreads, making it more difficult to enter and profitably exit such trades; (iii) convertible arbitrage involves an inherently imperfect and dynamic hedging relationship and must be adjusted periodically; (iv) convertible arbitrage involves selling securities short; (v) a material change in the dividend policy of the underlying common equity may adversely affect the prices of the securities involved; (vi) changes in the issuer's credit rating may adversely affect the prices of the securities involved; and (vii) unexpected merger or other extraordinary transactions affecting the convertible security or common equity may adversely affect the prices of the securities involved.

Risks of Investing in Securities of Certain Non-U.S. Companies

Investment in securities of non-U.S. companies entails certain risks, including, among others: (i) differences in reporting standards may result in less information or less current information being available about a company; (ii) differences in accounting, auditing and financial reporting standards may make them difficult to interpret; (iii) non-U.S. securities markets are generally characterized by smaller trading volumes, lower liquidity, higher volatility, and less or different trading regulation; (iv) non-U.S. governments may impose withholding taxes on payments of dividends, interest or gains on sales of securities which may reduce income to the Funds and, accordingly, the Partnership; and (v) assets of the Client may be affected by potential expropriation or confiscatory taxation, adverse changes in currency, exchange and investment policies, political, diplomatic or social instability, limitations on movement of funds or other assets between countries and difficulties of invoking legal process and enforcing contractual rights.

Special Situations

The Portfolio Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Portfolio Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Portfolio Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Portfolio Funds may invest, there is a potential risk of loss by the Portfolio Fund of its investment in such companies.

Development Stage Markets

Implementing the investment strategies employed by MIO or the Portfolio Managers may involve transactions in financial markets that are relatively new and still developing, such as the credit derivatives markets. The success of MIO's and the Portfolio Managers' investment strategies in these markets depends on the success of various theories and models, the validity of which may be difficult to verify. (See "Model Risk" below.) Not only may the credit derivatives markets develop in a manner adverse to a Portfolio Manager's trading strategies and/or contrary

to its models, but there can be no assurance that all material aspects of these markets have been incorporated into or accurately measured by theories or models used by a Portfolio Manager.

Model Risk

The investment strategies employed by certain Portfolio Managers are highly dependent on a number of quantitatively-based pricing theories and valuation models. These models employ assumptions that abstract a limited number of variables from complex financial markets or instruments which they attempt to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. The outputs of models may differ substantially from the reality of the markets, resulting in major losses.

Turnover

Certain Portfolio Managers may invest on the basis of short-term market considerations. Their turnover rate is expected to be significant, potentially involving substantial brokerage commissions and fees. MIO has no direct control over this turnover.

Possibility of Fraud and Other Misconduct

When a Client allocates assets to a Portfolio Fund, the client does not have custody of the assets or control over their investment by the Portfolio Fund. A Portfolio Manager could divert or abscond with the assets, fail to follow agreed upon investment strategies, provide false reports of operations or engage in other misconduct, resulting in losses to the Client.

Risk Management Activities

MIO endeavors to measure and monitor risks of the Clients and the Portfolio Managers. The amount and quality of risk due diligence, measurement and monitoring is dependent on access to the portfolios and risk management systems (if any) of the Portfolio Managers. There is no assurance that the Portfolio Managers will give access to this data. When this information is unavailable, estimates of risk are made. Efforts to measure and reduce risk may not be successful. Any Client hedging activities designed to reduce risk may also be unsuccessful.

Risks of Investing in Certain Instruments

All investing involves a risk of loss. The confidential private placement memorandum or confidential offering memorandum for a Fund contains information regarding the risks associated with a wide variety of securities and financial instruments in which the Fund and the Portfolio Funds may invest, including, without limitation, high yield securities, bank loans, leveraged loans, mezzanine debt, synthetic securities, equities, forward trading, loans of portfolio securities, collateralized debt obligations, asset-backed securities, mortgage-backed securities, distressed credit, short sales, futures, currencies, fixed-income investments, illiquid securities, OTC derivatives, credit default swaps and other credit derivatives, commodities and derivative instruments, foreign securities and emerging market investments.

Item 9. Disciplinary Information

MIO has no legal or disciplinary events to report that would be material to a Client's or prospective Client's evaluation of MIO's advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

MIO acts as the commodity pool operator ("CPO") for certain of the Funds. Timothy J. E. Church, President of MIO, and Todd Tibbetts, Vice President—Investments and Chief Investment Officer of MIO, are registered associated persons and listed principals. MIO is registered as a CPO with the Commodity Futures Trading Commission ("CFTC") and is a member in such capacity of the National Futures Association ("NFA"); however, pursuant to the rules of the CFTC, it is not currently required to register as a CTA with respect to any pool that it operates.

MIO has two affiliated investment advisers that are also wholly-owned subsidiaries of McKinsey: MIO Partners (EU) Limited, which is registered with the UK Financial Services Authority, and MIO Partners (Jersey) Limited.

Certain Funds may enter into a credit facility with a third party credit institution. In addition, certain Funds may loan funds to another Fund in connection with the Fund's hedging program. In such situations, MIO has a conflict between its obligation to act in the best interest of each of the pertinent Funds and any interest it may have in generating fees and other revenues for itself or its affiliates. Such arrangements may create other conflicts of interest since such financing and other transactions could, in certain circumstances, negatively affect a Fund if the terms upon which such financing was made available were made less favorable, or if the amount of financing available was reduced or terminated. In addition, in the event of adverse investment performance, the affiliate's interest in exercising available remedies may conflict with the pertinent Fund's interest. The Fund will not be entitled to, and may not receive, any special consideration or forbearance by the affiliate in the exercise of the affiliate's rights, as a result of MIO's relationship with the affiliate.

MIO's parent, McKinsey, is an internationally recognized consulting firm that has a variety of business engagements with numerous issuers of securities. Clients are not required to refrain from investing in such issuers. To protect against the possibility that MIO may receive material non-public information from McKinsey or a McKinsey partner or employee, MIO and McKinsey have established certain procedures so as to create an "information barrier" between the two firms. In the event that MIO were to receive material non-public information about an issuer, MIO may (in accordance with applicable law) be precluded from trading in that issuer, which may result in Funds losing the opportunity to profit or avoid loss.

Funds may make Direct Investments in investment advisory firms, including firms that act as Portfolio Managers or advise private funds or other pooled vehicles held by MIO Clients. In these circumstances, MIO may have a conflict of interest in selecting or retaining for one or more Clients managers in which a Fund has directly invested.

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

Code of Ethics

MIO has adopted a Code of Ethics that sets forth standards of ethical and business conduct expected of MIO's personnel. MIO's Code of Ethics, among other things, requires compliance with all federal securities laws and reflects MIO's fiduciary responsibilities and those of its advisory personnel. Clients and prospective Clients and Fund investors and prospective Fund investors may obtain a copy of the Code of Ethics upon request.

Personal Trading

MIO's directors, officers and other personnel and the directors, officers and personnel of its affiliates are permitted to invest in their personal trading accounts, subject to significant restrictions, and may in certain circumstances invest in the same or related securities as MIO recommends to Clients.

In order to reduce certain conflicts of interest that may arise between Client accounts and the personal trading activity of MIO's supervised persons, MIO has adopted a personal trading policy. The policy imposes certain restrictions on the personal trading of MIO's supervised persons, requires preclearance of certain transactions and requires that "access persons" report their personal trading activity to MIO's chief compliance officer. Certain MIO directors are subject to a similar personal trading policy due to their more limited access to information regarding day-to-day investment management decisions made by MIO.

MIO's policy limits the types of investments an employee may buy and sell for his or her personal account. Personal account trading may be conducted only if (i) the proposed transaction will have no adverse effect on any Client; (ii) the proposed transaction will not position the person involved to profit from a trade made or position held by a Client; (iii) no "insider trading" is involved; and (iv) the proposed transaction is consistent with published SEC interpretations.

Participation or Interest in Client Transactions

McKinsey, affiliates of McKinsey, MIO and its employees and other related persons may invest in the Funds. MIO may waive or rebate part or all of the Management Fee in the case of these investments. Such waiver or rebate will have no adverse effect on any other investor. MIO and its employees and related persons may have an incentive to favor Funds in which they have a greater pecuniary or investment interest over Funds in which they have lesser or no pecuniary or investment interest.

Certain Clients may invest in other Funds. Additionally, Clients may invest in Portfolio Funds and Managed Accounts and make Direct Investments either directly or through one or more Acquisition Vehicles managed by MIO. To the extent that investments are made indirectly through Acquisition Vehicles managed by MIO, MIO will not receive additional compensation for acting as the general partner or managing member of the Acquisition Vehicles.

Principal Transactions and Cross Trades

As described above, certain Clients may invest in other Funds and make investments through Acquisition Vehicles managed by MIO. In addition, certain Funds may loan funds to another Fund in connection with the Fund's hedging program. Other than these transactions, it is generally not expected that any Fund will transact with MIO, McKinsey or any affiliate thereof ("McKinsey Affiliates") as part of its investment strategy. However, it is possible that a Fund may do so (including engaging in principal transactions and cross trades) in order to achieve certain administrative efficiencies or in order to provide efficient access to certain types of investment opportunities. To the extent that a Fund transacts with any McKinsey Affiliate, including another Fund, MIO may waive or reduce any applicable fees, including, but not limited to, Management Fees and withdrawal fees that may otherwise be applicable to such transactions. Any principal transactions will be conducted in compliance with applicable law.

Item 12. Brokerage Practices

Best Execution

As described above, MIO typically invests the assets of its Clients in third-party Portfolio Funds that, in turn, make direct investments. The third-party Portfolio Managers of the Portfolio Funds select the broker-dealers through which the Portfolio Funds trade. On occasion, however, MIO may make direct investments in securities on behalf of its Clients, through broker-dealers selected by MIO. To the extent a broker-dealer is used by MIO to execute securities transactions for any Client, MIO is subject to a duty to seek best execution for such securities transactions. In selecting a broker-dealer, consideration is given to a number of factors, including the broker-dealer's financial responsibility, reputation, range and quality of services (including execution) and commission rates.

MIO need not solicit competitive bids and has no obligation to seek the lowest possible commission cost. Accordingly, if MIO determines in good faith that the amount of commissions or other compensation charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by the broker-dealer, the Client may pay commissions or other compensation to such broker-dealer in an amount greater than the amount another broker-dealer might charge.

Soft Dollar Benefits

MIO currently has no soft dollar arrangements. However, MIO occasionally may use full-service broker-dealers that provide research or other products or services to most or all of their customers, without being requested to do so, and MIO may on occasion receive and use research provided by these broker-dealers.

Trade Errors

It is MIO's policy generally not to reimburse a Fund for any clerical errors or mistakes of MIO with respect to its placing or executing trades for the Fund ("Trade Errors"). However, pursuant to the Fund's exculpation of liability and indemnification provisions, MIO will be obligated to reimburse the Fund for any Trade Error resulting from MIO's fraud, gross negligence or willful

misconduct. MIO, subject to its fiduciary obligations, will determine whether or not any Trade Error is required to be reimbursed in accordance with such liability and exculpation provisions. Any positive Trade Errors will be for the benefit of the Fund and not retained by MIO.

Allocation of Investment Opportunities

MIO will use its best judgment and act in a manner that it considers fair and equitable, over time, in allocating investment opportunities among the Clients.

MIO advises multiple Clients, some of which have similar investment objectives. MIO may have incentives (including, without limitation, differential pecuniary or compensatory interests) to favor certain Clients over others.

When it is determined that an opportunity is appropriate for more than one Client, MIO will seek to allocate opportunities among those Clients (and, as pertinent, execute orders for all participating Client accounts) on a fair and equitable basis over time. MIO in allocating such investment opportunities will consider such factors as the relative amounts of capital available for new investments and the investment programs and positions of each Client for which participation is appropriate.

Aggregation of Trades

MIO may, but is not required to, aggregate sales and purchase orders of securities being made simultaneously for more than one Client, if, in MIO's reasonable judgment, such aggregation may result in an overall economic benefit to the pertinent Clients.

Item 13. Review of Accounts

Review of Accounts

MIO receives reports either monthly or quarterly from investee entities on all investments made on behalf of the Master Retirement Trust and the Funds. These reports are reviewed promptly and the impact on the performance of the Client account is determined after taking into consideration needed reserves or the accrual of any liabilities. Decisions to change allocation among investments or to add or delete investments are generally made monthly or quarterly and in accordance with the applicable investment guidelines. All reviews are performed by MIO's Chief Investment Officer and Vice President-Investments and approved or ratified by the Board of Directors of MIO or a committee thereof.

Reports to Clients

MIO expects to furnish to Fund investors within 180 days after the end of each fiscal year or as soon as practicable thereafter an annual report containing financial statements audited by the pertinent Fund's independent auditors as well as such tax information as is necessary for each Fund investor to complete U.S. federal and state income tax or information returns.

In addition, MIO furnishes each Fund investor with unaudited quarterly reports once the necessary quarterly statements have been received from the Portfolio Managers and promptly

forwards to each Fund investor the monthly reports received from any commodity pool in which the Company invests.

MIO furnishes monthly reports and annual audited financial statements to the trustees of the Master Retirement Trust.

The timing of the distributions of the annual, quarterly and monthly reports and statements described above are subject to the receipt by MIO of certain information regarding the Portfolio Funds and other Fund investments from Portfolio Managers or other third parties.

Item 14. Client Referrals and Other Compensation

Not applicable.

Item 15. Custody

MIO may be deemed to have custody of the assets contained in the Fund portfolios, to the extent that MIO or an affiliate serves as general partner or managing member of each of the Funds or otherwise has legal authority over, or access to, the cash or securities held for the benefit of such Fund portfolios. Fund investors do not receive account statements from the custodian; rather, the Funds are subject to an annual audit and the audited financial statements are distributed to each Fund investor, as noted in Item 13, above.

Item 16. Investment Discretion

All management authority for the Clients is vested exclusively in MIO. All investment decisions for the Clients with respect to selecting Portfolio Managers, the type of investments for the Client's assets, and the allocation of such assets among various Portfolio Managers and investment strategies are made by MIO, and the investors and participants will have no voice in such decisions.

Item 17. Voting Client Securities

MIO has the authority to vote any proxies held by the Clients. In voting proxies, MIO is guided by general fiduciary principles. MIO's goal is to act prudently, solely in the best interest of the pertinent Client. MIO attempts to consider all factors of its vote that could affect (i) the role of the Client in the investors' portfolios or (ii) the value of the Client, and will vote proxies in the manner that it believes will be consistent with efforts to achieve the Client's stated investment objectives. MIO reserves the right to abstain from voting proxies to the extent it determines that the time management cost of evaluating and voting the proxy would not be beneficial for the Client.

Generally, MIO will divide proxies into routine matters and non-recurring or extraordinary matters. It is MIO's general policy, absent a particular reason to the contrary, to vote with an issuer's management's recommendations on routine matters. For example, MIO will generally vote for proposals to ratify auditors, unless the firm has reason to doubt an auditor's independence from the issuer or otherwise has reason to believe that the selected independent auditor is not suitable.

For non-recurring extraordinary matters, for example, a change in one or more of a Portfolio Fund's business terms or any shareholder proposal, MIO votes on a case-by-case basis in accordance with the general guidelines set forth above. In the event that a Fund receives an in-kind distribution of traditional debt or equity securities or otherwise acquires such securities, and MIO is requested to vote a proxy in connection with such securities, MIO will do so in a manner consistent with the general guidelines set forth above. MIO also has policies and procedures designed to identify and address material conflicts that may arise between MIO's interests and those of a Client before voting proxies on behalf of the Client. Copies of such policies and procedures, as well as information regarding how MIO voted proxies, are available to investors upon request by contacting MIO at the address or phone number listed on the cover of this Brochure.

Voting authority with respect to positions held in Portfolio Funds and Managed Accounts is vested with the relevant Portfolio Manager and not with MIO.

Item 18. Financial Information

MIO has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients