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This Brochure provides information about the qualifications and business practices of Covariance Capital Management, Inc. (“Covariance”) a registered investment adviser. If you have any questions about the contents of this Brochure, please contact us at 713-770-2000 or at Covariance_Info@CovarianceCapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the Securities and Exchange Commission does not imply a certain level of skill or training. Additional information about Covariance is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Below is a summary of the material changes made since the Brochure's Annual Filing on 31 March 2011.

Item 1, Covariance's principal address has changed from a New York address to an address in Houston, Texas.

Item 5, Fees and Compensation, has been updated to describe the period for which management fees are calculated and how they are paid, and the flat fee applied to clients choosing to invest only in Covariance's alternative investment vehicles and the program fee applied to clients subscribing to Covariance's outsourced-CIO solution.

Item 7, Types of Clients, has been updated to remove the minimum amount that a client must maintain with Covariance.

Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, has been updated to reflect additional detail regarding the range of traditional and alternative asset classes and investment strategies in which clients may invest and to provide additional disclosure regarding the risks of investing.

Item 10, Other Financial Industry Activities and Affiliations, has been updated to reflect potential conflicts of interest that could arise as a result of Covariance's affiliation with TIAA and in light of the continued development of Covariance's business.

Item 13, Review of Accounts, has been updated to reflect the frequency of reporting to clients and the composition of the committee that reviews client holdings for consistency with investment restrictions and parameters.

Item 16, Investment Discretion, has been updated to reflect the typical termination terms in Covariance's investment management agreements with clients.

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Item 4 – Advisory Business

Covariance is an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Covariance is a wholly owned subsidiary of Teachers Insurance and Annuity Association of America, a New York stock life insurance company (“TIAA”). Covariance primarily provides outsourced investment management services to clients within a multi-asset class, multi-manager investment program that offers each client a comprehensive and customized solution for managing its investment portfolio (the “Program”). Initially, the Program is being structured for and offered to U.S. tax-exempt clients, such as education and healthcare institutions, foundations, and other not-for-profit organizations, though Covariance may accept U.S. taxable or non-U.S. clients into the Program. Covariance manages an investment account for TIAA as part of the Program (the “TIAA Account”).

Depending on the investment needs of each client, Covariance will assist the client in developing a comprehensive asset allocation strategy and then Covariance’s Investment Team will implement its asset allocation recommendations primarily through the use of investment vehicles managed by Covariance and dedicated to a specific asset class or investment strategy (each a “Fund”). These Funds will invest primarily in private investment funds or separately managed accounts managed by unaffiliated investment managers (each, an “Underlying Manager,” and any such investment fund or separately managed account, an “Underlying Fund”). Covariance may also invest its clients’ assets in such other securities and financial instruments as Covariance may deem appropriate. Covariance may also include client assets in a Fund comprised solely of short-term money market instruments to provide liquidity to its clients. Covariance generally will manage client accounts on a discretionary basis, subject to written investment guidelines agreed to by Covariance and each client. Currently, Covariance does not plan to invest in investment vehicles managed or sponsored by its affiliates.

Covariance evaluates investment opportunities based on various quantitative and qualitative factors that Covariance determines appropriate. The selection of an Underlying Manager includes an evaluation of the Underlying Manager’s investment and risk management process, prospective ability to generate alpha over extended periods of time, quality of investment team and their incentives and compensation and the structure and quality of middle and back office operations. No single factor is determinative. Particular factors considered may vary among investment opportunities and different criteria are used to evaluate opportunities across asset classes and investment strategies. Investments with Underlying Managers are subject to ongoing qualitative and quantitative monitoring. Covariance’s qualitative monitoring involves the review of communications and disclosures from the Underlying Manager and periodic calls and in-person due diligence visits with the Underlying Manager. Covariance’s quantitative monitoring includes periodic evaluation of the Underlying Manager’s performance against peers and within the context of the overall Fund and Program. The monitoring process is designed to detect issues such as style drift as well as erosion of the key factors that formed the original investment thesis.

Covariance may, in the future, provide investment management services that are not part of the Program including advising separate accounts or managing legacy assets held by a client outside of its interest in the Program. Clients of such services are referred to herein as “Non-Program Clients.”

Item 5 – Fees and Compensation

Covariance’s compensation for its investment advisory services is based on a percentage of the value of the assets under management in each client’s account. In addition to the compensation paid to Covariance, management fees and/or incentive or performance fees are payable to external investment managers, including the Underlying Managers.

Covariance’s fee structure for the Program is based upon several factors including whether the client is investing in a comprehensive investment (“outsourced-CIO”) solution or a subset of alternative funds. The fees for clients subscribing to Covariance’s outsourced-CIO solution generally start at an annual rate of 0.50% of the client’s assets under management. Given the institutional nature of Program clients and Non-Program Clients, Covariance’s fees will be dependent on the specific needs of each client and, thus, will be negotiated on a client-by-client basis. Fees may vary among clients based on the type of client relationship, the complexity and extent of a client’s investment objectives and profile, the number of Funds invested in and total assets under management for a client (and its affiliates), and other circumstances or factors that Covariance, in its sole discretion, may deem relevant. For example, the fee for Program clients that invest primarily in the Funds that are alternative funds (*i.e.*, hedge funds and private equity funds) generally starts at an annual rate in the range of 0.75% to 1.00% of the client’s assets under management and is largely dependent on the complexity of the underlying investment strategy.

The Funds and other investment vehicles and accounts managed by Covariance may also be subject to other fees and expenses, such as administration and custody fees, which will indirectly be borne by the clients. In addition, the investments made by the Funds and other Covariance managed investment vehicles and accounts will have their own costs, expenses and fees, including for administrative, custodial and brokerage services. These will generally be assessed against, and will have the effect of reducing the value of, such investments. Covariance may also utilize various hedging strategies that may entail using brokerage services. Please see Item 12 for further discussion of Brokerage Fees.

Management fees are generally payable monthly in arrears in accordance with the terms set forth in a client’s investment management agreement with Covariance and, in the case of a Program clients, the operative documents for the Funds in which such client is invested. Management fees for a Program client will generally be calculated separately for each Fund in which the client is invested and will be paid to Covariance by each such Fund out of such client’s interest in the Fund. A prorated Management fee will be payable with respect to client assets that are under management for a partial month, based upon the number of days such assets were under management versus the total number of days in the month.

Item 6 – Performance-Based Fees and Side-By-Side Management

Covariance does not currently charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). However, incentive or performance fees may be charged by the Underlying Managers (or the equivalent thereof, with respect to Non-Program Clients).

Item 7 – Types of Clients

Covariance's target market is primarily education and healthcare institutions, foundations and other not-for-profit organizations, though Covariance may provide services to other types of clients. Covariance also manages the TIAA Account as detailed in the confidential Offering Memorandum of the Program. To be eligible to invest with Covariance, a client must meet certain requirements; for example, it must be an "accredited investor" (as defined in Regulation D under the Securities Act of 1933) and a "qualified purchaser" (as defined in the Investment Company Act of 1940).

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

The Funds provide clients in the Program with the opportunity to invest across a range of traditional and alternative asset classes and investment strategies, including hedge funds, private equity funds and other private partnerships, which may be used to provide exposure to, among other things, publicly-traded securities, fixed income investments including those issued by governments, municipalities, agencies and corporations, various investment and trading strategies in the equity, interest rate, credit, foreign exchange and commodity markets, stressed and distressed debt and mezzanine debt, venture capital, special situations. real assets such as oil, natural gas, and timberlands), commercial mortgage backed securities, energy, infrastructure, mining, timber and agriculture. Covariance expects to offer Non-Program Clients a similar range of asset classes and investment strategies.

Covariance uses a broad range of proprietary and non-proprietary analyses and data, as well as information provided by third parties and the Covariance Investment Team to identify and evaluate potential investments for the Funds. Covariance also may enlist the services of consultants, from time to time, to evaluate prospective investment funds and aid in due diligence review. Covariance's Investment Team and/or consultants also may conduct on-site due diligence of investment opportunities. Covariance expects to follow a similar approach with respect to evaluating investment opportunities for Non-Program Clients.

Covariance may allocate client funds to invest in futures, options, and other similar derivative instruments to implement their investment strategies.

Covariance currently does not plan to invest client assets in investment products managed by affiliates. In addition, Covariance plans to avoid recommending to clients any investment in securities for which an affiliate of Covariance serves as underwriter or placement agent.

The Program consists initially of nine Funds, each of which is expected to invest a significant portion of its capital in Underlying Funds. The Program may involve additional Funds in the future. Finding, selecting and investing in vehicles managed by other managers is a complex process. While Covariance will assess potential Underlying Managers and their investment in light of both objective information (such as historical performance data) and subjective information, there can be no guarantee that Covariance's assessment of any Underlying Manager or strategy will be accurate or that such information will provide any indication as to how Underlying Funds will perform in the future.

Each client of the Program will have an individualized investment management relationship with Covariance and the assets of its account will be invested in accordance with the specific allocation targets and ranges specified in the client's investment management agreement; however, the investment of the accounts in the Program will be commingled and made on a collective basis through the Funds. Accordingly, while each account is managed specifically for the benefit of the client to which such account relates, the Funds are managed for the benefit of and with a view to the best interests of the Program clients as a whole and not any particular client.

The Funds are expected to invest in a broad range of asset classes, geographies, strategies and sectors. In addition, the Program is expected to follow a very long-term investment strategy. Identifying and participating in attractive investment opportunities and balancing investments across multiple asset classes, geographies, strategies and sectors over a time period that may span several decades is difficult. There is no assurance that the asset allocation strategy for any client or the investments of any particular Fund will be profitable.

Any return on investment to clients will depend upon successful asset allocation and investments made on behalf of the Funds by Covariance. Many investment decisions by Covariance will be dependent upon its ability to obtain relevant information from multiple sources (including non-public sources) and synthesize significant amounts of information relating to the wide range of permissible investments. Covariance often will be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify.

The performance of each account and each Fund's investments will depend upon many factors beyond the control of Covariance. For example, the Funds are expected to invest a significant portion of their capital in Underlying Funds. Underlying Funds may have substantial variations in operating results from period to period, face intense competition, and experience failures or substantial declines in value at any stage.

In addition to the Program withdrawal restrictions noted in Item 16, Program clients may not withdraw any portion of the assets in their accounts that is invested in or committed or reserved for investment in a Fund that invests in private equity-style closed-end funds and a Program client must generally request withdrawals substantially in advance. Thus, clients have a limited ability to access capital quickly. In addition, Covariance may suspend rights to make withdrawals or receive distributions from or with respect to one or more Funds. Moreover, a

Program client will not be entitled to receive prompt distributions corresponding to its share of illiquid investments in the account. Instead, a withdrawn Client's share of such illiquid investments generally will be placed into a liquidating account from which distributions will be made only as liquidity is achieved. Certain withdrawal requests may be satisfied via in-kind distributions of securities at the discretion of Covariance.

Covariance's asset allocation strategy is tailored to each client. Therefore, the risks borne by each client may vary. Investing in securities involves risk of loss that clients should be prepared to bear. The information contained in this Brochure cannot disclose every potential risk associated with investing with Covariance. Clients should be satisfied that an investment with Covariance is suitable for them in light of their circumstances, their investment objectives and their financial situation. In addition, Program clients should carefully review the confidential offering memorandum for additional information about risks associated with investing in the Program.

Item 9 – Disciplinary Information

Not applicable.

Item 10 – Other Financial Industry Activities and Affiliations

Covariance is a wholly owned subsidiary of TIAA-CREF Redwood, LLC, which is a wholly owned subsidiary of TIAA, a NY stock life insurance company. Covariance and TIAA have entered into a service arrangement whereby TIAA, directly or through its subsidiaries, may provide a variety of services to Covariance that may be deemed material to Covariance's investment advisory services. Such services include general corporate support, human resources, legal, compliance and marketing services.

As noted in Item 4, Covariance manages the TIAA Account. A Fund may invest in an Underlying fund or other investment at substantially the same time as the TIAA Account. There can be no assurance that the Funds would dispose of such an investment at substantially the same price or time as the TIAA Account due to many factors that may or may not be foreseeable at the time of investment, including client withdrawals, availability of capital for follow-on investment and other needs, differing tax basis in the investment, differing financing terms applicable to different investments, different time horizons, and differing investment objectives and investment programs. One Fund may make investments or engage in other activities that express inconsistent views with respect to a security or other market conditions as compared with those of another Fund or the TIAA Account.

Covariance may determine that a particular investment is appropriate for the TIAA Account and/or the Funds. If this investment opportunity is one in which the number of interested investors exceeds its capacity, Covariance may have to determine to what extent to offer the opportunity to the TIAA Account and/or the Funds. In these circumstances, Covariance will adhere to its Fair Allocation Policy, which will be provided to Clients and prospective Clients upon request.

Item 11 – Code of Ethics

Covariance has adopted a Code of Ethics, which was designed to comply with the requirements of Section 204a-1 of the Investment Advisers Act of 1940. Covariance's Code of Ethics applies to all of Covariance's supervised persons, and includes personal securities trading and insider trading policies. The Code of Ethics provides that Covariance's supervised persons must at all times place the interests of clients above their own. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Covariance must acknowledge the terms of the Code of Ethics when they first become a supervised person and annually thereafter, or when amended. In addition, Covariance has adopted a policy that prevents its investment personnel from providing investment advice or portfolio management services for compensation to any person other than a client of Covariance, unless specifically permitted by Covariance's Chief Compliance Officer.

Clients and prospective clients may request a copy of Covariance's Code of Ethics by contacting Covariance at the address shown above.

While Covariance has no present intent to engage in transactions with clients in which it would act as principal on behalf of its own account, it reserves the right to do so in the future if appropriate. In the event Covariance does engage in principal transactions and to the extent required by law, Covariance will provide each affected client with disclosure that Covariance is acting in such capacity and the relevant terms of such transaction and obtain the client's consent to such transaction.

Generally, investment vehicles and accounts managed by Covariance will invest primarily in Underlying Funds. Such Underlying Funds may invest in some of the same securities as affiliates of Covariance, over which Covariance has no control. Except with respect to the TIAA Account, Covariance and its subsidiaries do not have discretion over the investments made by and are legally separate from all TIAA subsidiaries.

Covariance and its affiliates may effect cross trades involving advisory accounts in which a security is sold from one account advised by Covariance and bought for another such advised account through a custodial transfer or broker-dealer. Covariance will effect such cross trades when Covariance believes it is in the best interests of all clients involved. Trades will be effected at a security price that Covariance has a reasonable basis for believing is fair and equitable to both the buyer and the seller.

Item 12 – Brokerage Practices

Generally, investment vehicles and accounts managed by Covariance will invest primarily in Underlying Funds. However, such investment vehicles and accounts may also invest in other securities and financial instruments and may enlist hedging strategies utilizing futures, options or ETFs on broad based market indices as part of its investment approach. Covariance determines

the securities to be bought or sold and/or the amount of securities to be bought or sold without obtaining specific client consent when the client has authorized Covariance to do so in the investment management agreement entered into between the client and Covariance. As a general rule, most client accounts provide for such discretion.

Covariance will select brokers, dealers or other trading venues (collectively, “Brokers”) consistent with its duty to seek best execution of client transactions. Best execution generally means the prompt and efficient execution of transactions, at the best obtainable price, and the payment of commissions that are reasonable in relation to the value of the brokerage and other transaction services provided.

Covariance, in seeking to obtain best execution, may consider the quality and reliability of the brokerage services. Covariance’s selection of a Broker for transactions for a client account may take into account such factors, among others, as: price; the Broker’s facilities, reliability and financial responsibility; when relevant, the ability of the Broker to effect specific transactions, particularly with regard to such aspects as timing, order size and execution of the order and the Broker’s recordkeeping capabilities. Covariance, in its discretion, may cause a client account to pay a commission for effecting a transaction for the account in excess of the amount or rate another Broker would have charged for effecting that transaction when Covariance concludes in good faith that the commission paid is reasonable in relation to the quality of execution viewed in terms of the particular transaction or Covariance’s overall responsibilities with respect to all accounts over which Covariance exercises discretionary authority. Covariance has no soft dollar arrangements.

No related persons have acquired products and services during the fiscal year with brokerage commissions of any Covariance client.

Covariance may aggregate purchase or sale orders for client accounts with purchase or sale orders in a particular security for other separately managed account clients, pooled investment vehicles and accounts managed by Covariance or in which Covariance or its affiliates, as well as their respective directors, officers, principals, employees or agents (or the family members of such persons) have a pecuniary interest (each an “Other Account” and collectively, “Other Accounts”) where appropriate. In determining whether aggregation of orders is appropriate, Covariance will consider the best interest of each client involved. Covariance is not obligated to aggregate orders or to include any particular account in a block trade if portfolio management decisions for different accounts are made separately or if Covariance determines that an aggregate order would not be in the best interests of a particular client. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for multiple client accounts and Other Accounts, Covariance may average the various prices and charge or credit the accounts with the average price at which the orders were filled for client and Other Accounts on each applicable day.

In the event circumstances arise where Covariance determines that, while it would be both desirable and appropriate to aggregate client orders for a particular security or other investment,

there is a limited supply or demand for the security or other investment, Covariance will seek to allocate such investment opportunities among clients fairly and equitably over time in accordance with its fair allocations policy. Covariance is not required to assure equal treatment among all of its clients nor is it required to ensure that each such opportunity is proportionally allocated among participating accounts.

For trade errors that occur at the Underlying Manager level, those managers' trade error policies and procedures will govern the resolution of the trade error. Thus, if a trade error occurs at that level, the relevant external investment manager, not Covariance, will control the resolution of that trade error. Trade error policies and procedures will vary among Underlying Managers and the application of such policies and procedures may result in a benefit to those managers to the extent consistent with fiduciary duty. If a trade error occurs when Covariance purchases or sells securities, including interests in Underlying Funds, Covariance will seek to correct such error as soon as reasonably practicable. When correcting its trade errors, Covariance will seek to ensure that the best interests of its clients are served.

Item 13 – Review of Accounts

The Covariance Risk Committee reviews each client's holdings periodically for consistency with each client's investment guidelines and to ensure compliance with any applicable investment restrictions and Covariance's investment parameters. This committee currently includes Covariance's Chief Risk Officer, Chief Investment Officer, Co-Chief Investment Officer and Chief Operating Officer.

Each client receives a monthly account statement and, as applicable, such other periodic reports as may have been agreed upon between Covariance and such client. In addition, on a quarterly basis or at such other times as reasonably requested, Covariance's investment and client relationship personnel will consult with each client regarding its account's investment strategy, asset allocation, and performance outlook.

Certain clients in the Program may request that Covariance provide investment advice with respect to assets of such client in addition to its investment in the Program. Those assets will be accounted for separately in accordance with Covariance's agreement with such client.

Item 14 – Client Referrals and Other Compensation

Not applicable.

Item 15 – Custody

Covariance's qualified custodian will provide client statements on a monthly basis. These statements should be reviewed and compared to any account statements provided to clients by Covariance. Statements provided by Covariance may include additional information relevant to a Client's account.

Item 16 – Investment Discretion

Covariance’s discretionary authority is usually detailed in each client’s investment management agreement, its supplements or its amendments, along with the client’s investment objectives and any applicable guidelines and restrictions. Investment management agreements with Covariance typically appoint Covariance as the client’s attorney-in-fact with full power and authority to supervise and direct the investment and reinvestment of the assets in the client’s account.

Generally, investment management agreements are terminable after one year. However, prior to three years, an early withdrawal fee may apply. The early withdrawal fee terms, if applicable, are set forth in each client’s investment management agreement. In addition, investment management agreements may be terminated (i) by Covariance for any reason upon 30 days prior written notice to the client and (ii) by the client upon 45 days’ prior written notice to Covariance upon material breach by Covariance of the investment management agreement with such client if Covariance is unable to cure such breach within 30 days of such notice. Termination terms may be negotiated on a client by client basis.

Item 17 – Voting Client Securities

In general, the securities that are held by Program clients are interests in the Funds. The Funds, in turn, invest in Underlying Funds, some of which may hold direct interests in securities. Therefore, Covariance is not typically in a position to vote securities on behalf of clients.

When the issue presents itself, Covariance’s practice is to delegate its authority to vote proxies in each client’s account to a proxy voting service or the appropriate external investment manager, who will vote all proxies according to their respective proxy voting guidelines, unless Covariance affirmatively instructs them to the contrary. All actual or potential conflicts that may arise will be resolved in accordance with each external investment manager’s proxy voting guidelines and/or policies and procedures.

When Covariance is called upon to vote proxies, Covariance’s general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “proxies”) relating to managed client securities, including interests in Underlying Funds, in a manner that serves the best interests of the investment vehicles managed by Covariance and the client accounts invested therein, as determined in its discretion, taking into account that one of the key factors Covariance considers when determining the desirability of investing in a particular investment fund is the quality and depth of its management.

Clients and prospective clients may request a copy of Covariance’s Proxy Policy by contacting Covariance at the address shown above.

Item 18 – Financial Information

Not applicable.