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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 March 29, 2012.

Item 4, Advisory Business has been updated to include that Covariance is registered with the U.S. Commodity Futures Trading Commission as a Commodity Pool Operator. This registration became effective January 1, 2013

Item 4, Advisory Business has been revised to include that clients may impose restrictions on its asset allocation strategy and decline to invest in certain Funds and that clients cannot impose restrictions on a Fund's investment in any Underlying Manager or Underlying Fund.

Item 5, Fees and Compensation has been revised to include that management fees will be paid to Covariance by deducting the appropriate amount from each such Fund.

Item 8, Methods of Analysis, Investment Strategies and Risk of Loss has been revised to include additional detail on Covariance's investment strategies and material risks.

Item 10, Other Financial Industry Activities and Affiliations has been updated to include that Covariance is registered with the U.S. Commodity Futures Trading Commission as a Commodity Pool Operator. In addition, various members of the Covariance staff have registered as associated persons of the firm and include the President and Chief Investment Officer, co-Chief Investment Officer and the Managing Director, Business Development and Investor Relations.

Item 13, Review of Accounts has been revised to add detail on the information contained in each client's electronic monthly account statement.

Item 17, Voting Client Securities has been revised to add detail on how Covariance resolves conflicts of interest.

Item 15, Custody has been updated to include that State Street Bank and Trust Company is the custodian for all Funds managed by Covariance and its subsidiary International Fund Services (IFS) is the administrator for those vehicles. IFS provides client statements electronically on a monthly basis.

Item 3 -Table of Contents

Item1 – Cover Page.....	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management	3
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	3
Item 9 – Disciplinary Information	12
Item 10 – Other Financial Industry Activities and Affiliations	12
Item 11 – Code of Ethics	13
Item 12 – Brokerage Practices	14
Item 13 – Review of Accounts.....	16
Item 14 – Client Referrals and Other Compensation.....	16
Item 15 – Custody.....	16
Item 16 – Investment Discretion.....	17
Item 17 – Voting Client Securities.....	17
Item 18 – Financial Information	18
Item 19 – Requirements for State Registered Advisers	18

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 also a registered Commodity Pool Operator with the U.S. Commodity Futures Trading Commission. 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 also 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. Clients may impose restrictions on its asset allocation strategy and decline to invest in certain Funds. However clients cannot impose restrictions on a Fund’s investment in any Underlying Manager or Underlying Fund. Covariance generally will manage client accounts on a discretionary basis, subject to written investment guidelines agreed to by Covariance and each client. Clients can also invest in one or more separate asset class Funds on a non-discretionary basis. 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 or Underlying Fund includes an evaluation of the investment and risk management processes in place, 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 in Underlying Funds are subject to ongoing qualitative and quantitative monitoring. Covariance’s qualitative monitoring involves the review of communications and disclosures from Underlying Managers and Underlying Funds, periodic calls with Underlying Managers and Underlying Funds and, typically, in-person due diligence visits with Underlying Managers or Underlying Funds. Covariance’s quantitative monitoring includes periodic evaluation of the performance of the Underlying Manager or

Underlying Fund 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.”

Covariance manages \$1,135,894,351 in client assets as of December 31, 2012.

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 or Underlying Funds.

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. Management fees will be paid to Covariance by deducting the appropriate amount from each such 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. 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

INVESTMENT STRATEGY DESCRIPTIONS

Asset Allocation (the Program) - As discussed in Item 4, Covariance assists the client in developing a comprehensive asset allocation strategy. Covariance’s Investment Team will then implement its asset allocation recommendations primarily through the use of Funds, managed by Covariance, which invest across a range of both traditional and alternative asset classes and investment strategies. These Funds will invest primarily in Underlying Funds.

Traditional Strategies:

Equity - Domestic, international and global long-only Underlying Funds that employ a variety of investment and trading strategies generally utilizing publicly traded equity securities.

Fixed Income – Primarily invested in long-only Underlying Funds that are focused on domestic and international fixed income investments including those issued by governments, municipalities, agencies and corporations.

Cash & Short-Term Investments - Short-term money market instruments including deposits at money-center banks or commercial banks, short-term treasury securities, short-term agency paper, repurchase agreements on government and agency debt, bank issued certificates of deposit, commercial paper and short-term corporate bonds.

Alternative Strategies:

Hedge Funds - Generally invests in Underlying Hedge Funds employing various long-biased strategies, short biased strategies, long-short strategies, distressed debt, arbitrage or relative value strategies. Some Underlying Funds also follow global macro and systematic trends.

Real Assets - Underlying Funds that provide exposure to real assets by investing in publicly traded securities and/or futures providing exposure to real estate investment trust (REIT), commodities and/or infrastructure funds. Underlying Funds will also invest in private securities or properties providing exposure to real estate, commercial mortgage backed securities, energy, infrastructure, mining, timber and agriculture. Underlying Funds may specialize by geographic region and some Underlying Funds may be based outside of the United States.

Private Capital - Underlying Funds that invest in private equity, venture capital, mezzanine and special situations. Underlying Funds may specialize by geographic region and some Underlying Funds may be based outside of the United States.

MATERIAL RISKS ASSOCIATED WITH EACH STRATEGY

The degree to which an Investment Risk applies to a particular strategy will, in most cases, depend significantly on the risks applicable to each Underlying Fund and will, therefore, change over time. Investing in securities involves risk of loss that clients should be prepared to bear.

The following Investment Risks described in the paragraphs below are generally expected to apply to all strategies.

- General Risks Associated with Investments
- Unique Investment Approach
- Long-Term Investment
- Changes in Environment
- Risk Management
- Withdrawals

The following Investment Risks described in the paragraphs below are generally expected to apply to all strategies except for Cash & Short-Term Investments.

- Competition
- High-Demand Underlying Funds
- Global Investment Strategy
- Non-United States Investments
- Emerging Markets
- Limited Diversification
- Derivative Transactions

The following Investment Risks, described in the paragraphs below, are generally expected to apply to all strategies except for Cash & Short-Term Investments and Traditional Strategies: Equity:

- Leverage and Financing Risk
- Illiquid Portfolio Investments and Special Investments
- Fixed Income Securities

General Risks Associated with Investments - The Funds are expected to invest in a broad range of asset classes, geographies, strategies and sectors. In addition, the Program has no set dissolution date, and 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, Underlying Funds may have significantly different investments than their underlying benchmarks and their performance may materially diverge from their respective benchmarks for extended periods of time. Underlying Funds may also have concentrated positions or sector exposures within their portfolios which could lead to material losses based upon company or

sector specific events. Underlying Funds may suffer losses due to short sales of securities which have the risk of unlimited loss. Underlying Funds may utilize leverage which could amplify market losses. All Underlying Funds may suffer substantial drawdowns in the event of a significant market decline.

Unique Investment Approach - The Program's investment strategy has been developed based on the investment strategies of certain large foundations, trusts, endowments and leading family offices with the goal of providing capital appreciation while mitigating risk. However, there can be no guarantee that the proposed investment strategy will be successful. If the investment strategy does not succeed as planned, it is possible that the Program will have poor investment returns or that the level of risk associated with an investment in the Program will be higher than anticipated.

Long-Term Investment - An investment in the Program is a long-term commitment and there is no assurance of any distribution to clients. The Program has no set dissolution date, and is expected to continue to operate for a significant period of time.

Changes in Environment - The Program is intended to extend over a period of decades, during which the business, economic, political, regulatory, and technology environment within which the Program operates is expected to undergo substantial changes, some of which may be adverse to the Program or a particular Fund.

There can be no assurance that investment strategies developed and implemented in the current market will remain appropriate as market conditions change. In addition, there is no guarantee that Covariance or any or all of the Underlying Managers will be able to keep up with developing market trends or other changes in the investment landscape. Returns to clients will depend upon the successful evolution of the investment strategy of the Program, the Funds and the Underlying Funds to address changes in market conditions over time.

The Underlying Managers will typically have the exclusive right and authority to determine the manner in which the Underlying Funds shall respond to such changes, and clients will have no right to demand specific modifications to the operations of the Underlying Funds in consequence thereof. Prospective clients are particularly cautioned that the investment sourcing, selection, management and liquidation strategies and procedures exercised by Covariance's investment professionals in the past may not be successful, or even practicable, during the Program's term.

Risk Management - Although managing risk is a principal element of the Program's overall investment strategy, certain of the Funds and/or Underlying Funds are expected to make investments that, viewed in isolation, present very substantial risks. In other words, the investment strategy of such Funds and/or Underlying Funds does not rely upon the avoidance of risky investments. Rather, Covariance will seek to manage risk via a broad array of risk-offsetting techniques. There can be no assurance that Covariance will be successful in avoiding excessive risk exposure in connection with the Funds' investments. Covariance's ability to successfully manage risk will depend in significant part upon: (i) the ability of Covariance to accurately obtain and analyze relevant data to identify possible risks; (ii) the ability of the

Underlying Manager to make appropriate adjustments to the Funds' asset allocation; and (iii) the availability and affordability of market vehicles to reduce risk (e.g. swaps, hedges, puts and insurance). If Covariance is unable to identify the relevant risks or adjust the Funds' asset allocations to mitigate risks, or if the cost of market vehicles to reduce risk is prohibitive, the investment performance of a Fund and of the Program more broadly may suffer. In addition, the investment of a client that invests in a limited number of Funds may not receive the full benefit of the risk-offsetting techniques employed by Covariance.

Withdrawals – 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 follows a similar approach with respect to withdrawal restrictions for Non-Program Clients.

Competition - The Funds and the Underlying Funds will compete for investment opportunities with other established funds and investment organizations that have substantial resources and experience. Moreover, the volume of attractive investment opportunities varies greatly from period to period. There can be no assurance that the Funds or the Underlying Funds will be able to make investments on attractive terms or in accordance with their preferred timing.

High-Demand Underlying Funds - In some cases, a Fund will compete for limited investor capacity in an Underlying Fund due to the reputation and performance record of the Underlying Manager. In these cases, it is likely that Covariance and the relevant Fund will not have as much access to the Underlying Manager as with other Underlying Funds. For example, Covariance may not be able to arrange for in-person meetings or on-site reviews at the Underlying Manager in order to conduct initial and ongoing due diligence and may be limited in the scope of its due diligence to reports that are issued by the Underlying Manager. This may impede Covariance's efforts to conduct thorough due diligence with respect to such Underlying Fund and may ultimately lessen the quality of data used by Covariance in developing its asset allocation, risk management and other models.

Global Investment Strategy - Certain of the Funds and Underlying Funds are expected to invest in a geographically diverse portfolio and, as a result, their performance will depend in part upon the financial and other health of the countries in which they invest. In particular, any adverse changes to a host country's government, laws, economy or other attributes may have a significant adverse effect on such Funds' or Underlying Funds' performance.

Non-United States Investments - It is expected that certain of the Underlying Funds will invest significantly in securities of non-United States issuers. Such investments may present a variety of risks not presented by investments in United States issuers, including risks associated with: (i) fluctuating currency exchange rates; (ii) limitations on currency exchange or the transfer of capital/profits across international boundaries; (iii) different accounting standards; (iv) different legal protections for investors; (v) differing regulatory burdens; (vi) political instability; and (vii) multiple taxing jurisdictions.

Even those Underlying Funds that nominally are United States issuers by virtue of their jurisdiction of organization or management headquarters may be exposed to significant non-United States risks.

Emerging Markets - Certain of the Underlying Funds are expected to invest in the securities of issuers in emerging markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, investments in the securities of issuers in emerging market may be subject to the following risks: (i) less publicly available information; (ii) more volatile markets; (iii) less liquidity or available credit; (iv) political or economic instability; (v) less strict securities market regulation; (vi) less favorable tax or legal regulations; (vii) price and capital controls and other restrictive governmental actions; (viii) a greater likelihood of severe inflation; (ix) unstable currency; (x) expropriation of personal property; and (xi) internal strife and military conflict.

Limited Diversification - The Funds will each make a limited number of investments and the Underlying Funds in which the Funds invest may make a limited number of underlying investments. Furthermore, the Underlying Managers may have similar investment objectives and different Underlying Managers may compete for and make overlapping investments in the same underlying investments, resulting in the Funds having increased exposure with respect to the same underlying investments. A consequence of a limited number of investments or of similar investments is that the aggregate returns realized by the Funds may be substantially adversely affected by the unfavorable performance of a small number of these investments.

Derivative Transactions - Certain of the Funds and the Underlying Funds may use derivatives in an effort to hedge various market risks or to manage the Fund's, or, as applicable, the Underlying Fund's exposure to various securities equity markets. These strategies impose certain costs on the Fund or Underlying Fund and involve certain risks, such as the possible default of the other party to the transaction, the lack of liquidity, the imperfect nature of the hedge or the ineffectiveness of the strategy in a particular situation, operational risks relating to margin requirements for particular instruments, and the possible accentuation of losses or reductions in gains of the underlying securities.

Specialized investment management. All derivative instruments, including options forward contracts and swap contracts involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments. Accordingly, derivative products require specialized investment techniques and risk analyses that are different from those associated with stocks. The use of a derivative requires an understanding not only of the underlying instrument

but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, and the ability to assess the risk that a derivative adds to the Fund's or, as applicable, the Underlying Fund's portfolio. The performance of the derivative may not be knowable in advance under all possible market conditions.

Counterparty default. The Fund or, as applicable, the Underlying Fund, may sustain a loss as a result of the failure of another party to a derivative (usually referred to as a "counterparty") to comply with the terms of the derivative contract. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund or the Underlying Fund has concentrated its transactions with a single or small group of counterparties. The Funds are not, and an Underlying Fund may not be, restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty.

Disproportionate losses. Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index usually will result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

Liquidity of futures contracts. Covariance may use futures in executing the Program's or a particular Fund's investment strategy. Similarly, an Underlying Manager may use Futures in executing an Underlying Fund's investment strategy. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Fund or Underlying Fund from promptly liquidating unfavorable positions and subject the Fund or Underlying Fund to substantial losses.

Default by futures commission merchants. Under the Commodity Exchange Act, as amended, commodity brokers (defined as "futures commission merchants" by the Commodity Futures Trading Commission) are required to maintain customers' assets in a segregated account. However, to the extent that a Fund or Underlying Fund engages in futures and options contract trading and a futures commission merchant with whom the Fund or Underlying Fund maintains an account fails to so segregate the assets of the Fund or Underlying Fund, the Fund or Underlying Fund will be subject to a risk of loss in the event of the bankruptcy of any of such futures commission merchant. In certain circumstances, even in respect of property specifically traceable to the Underlying Fund, the Fund or Underlying Fund might be able to recover only a pro rata share of all property available for distribution to a bankrupt futures commission merchant's customers.

Other risks. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Many derivatives, in particular privately negotiated derivatives, are complex and sometimes valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the applicable Fund or Underlying Fund. Consequently, a Fund's or Underlying Fund's use of derivatives may not always be an effective means of, and sometimes could be counterproductive to, furthering the Fund's or Underlying Fund's investment objective. Risks Associated with Unspecified Transactions

Leverage and Financing Risk - Certain of the Underlying Funds (the "Leveraged Funds") may leverage their capital because the Underlying Managers believe that the use of leverage may enable the Leveraged Funds to achieve a higher rate of return. Accordingly, leverage may take the form of trading on margin, repurchase financings, total rate of return swaps, loans or other instruments an Underlying Manager deems appropriate. The amount of leverage which these Underlying Funds, individually or in the aggregate, may have outstanding at any time may be substantial in relation to their capital. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage by a Leveraged Fund in a market that moves adversely to their investments could result in a substantial loss to the Leveraged Fund which would be greater than if the Leveraged Fund was not leveraged. The Leveraged Funds will borrow funds to increase their buying power and potential returns to their limited partners. Although leverage will increase the investment return of a Leveraged Fund if an investment purchased with borrowed funds earns a greater return than the amount that the Leveraged Fund is charged for the use of those funds, the use of leverage will decrease the investment return if the Leveraged Funds fail to earn as much on investments purchased with borrowed funds as it is charged for the use of those funds. The use of leverage will also allow the Leveraged Funds to borrow in order to make additional investments, thereby increasing their exposure to assets, such that their total assets are greater than their NAV. The use of leverage will, therefore, magnify the volatility of changes in the value of the investments of the Leveraged Funds. Limited partners in the Leveraged Funds (including the Funds) still face the risk of losing their entire investment. Borrowings by the Leveraged Funds may be secured by their portfolios. Under certain circumstances pursuant to the conditions of a loan, a Leveraged Fund may be required to liquidate all or a portion of its investments to pay off the loan. Liquidation under those circumstances could have adverse consequences. Capital borrowed for leveraging will be subject to interest costs that may or may not be recovered by the return on a Leveraged Fund's portfolio. In addition, the anticipated use of short-term margin borrowings results in certain additional risks to the Leveraged Funds. For example, should the securities pledged to brokers to secure the Leveraged Funds' margin accounts decline in value, the Leveraged Funds could be subject to a "margin call," pursuant to which the Leveraged Funds must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Leveraged Fund's assets, the Leveraged Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

Illiquid Portfolio Investments and Special Investments - Certain of the Underlying Funds may make investments in securities or other assets, such as bank loans, that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and an Underlying Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted securities and illiquid investments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Underlying Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities and other types of illiquid assets may sell at a price lower than similar investments that are not subject to restrictions on resale.

Fixed Income Securities - Certain of the Underlying Funds will invest, directly or indirectly through other vehicles, in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations, municipal bonds, debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Underlying Funds invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

MATERIAL RISKS ASSOCIATED WITH INVESTMENTS IN UNDERLYING MANAGERS AND UNDERLYING MANAGERS

Reliance on Other Managers - The Program consists initially of nine Funds, each of which is expected to invest a significant portion of its capital in other private investment vehicles (e.g., funds and separately managed accounts), "Underlying Funds" managed by unaffiliated investment managers ("Underlying Managers"). The Program may involve additional Funds in the future.

Finding, selecting and investing in vehicles managed by other managers is a complex process. In determining how to invest each Fund's capital in other private investment vehicles, Covariance will look for Underlying Managers whose investment strategies are expected to offer superior returns, considering both objective information relating to such Underlying Managers (such as historical performance data) and subjective information. However, there can be no guarantee that Covariance's assessment of any Underlying Manager will be accurate. In particular, there can be no assurance that past performance data or other objective or subjective information relating to an Underlying Manager will provide any indication as to how private investment vehicles managed by such Underlying Manager will perform in the future.

Even if Covariance is able to accurately identify Underlying Managers whose Underlying Funds are likely to produce attractive returns, there can be no assurance that a given Fund will be able to invest in such Underlying Fund. For example, taking into account the varying fundraising cycles of Underlying Funds managed by such Underlying Managers, and, in certain cases, the timing of the Funds' own closings and other investments, the Funds may not have available capital during any such other vehicles' "open window" period. In addition, there can be no guarantee that a Fund's offer to invest in any such Underlying Funds will be accepted.

Investment in Underlying Funds - Covariance and the Funds will not have control over the management of the Underlying Funds, and the success of investments in Underlying Funds generally will depend on the ability of the Underlying Managers as well as the overall direction and volatility of the underlying markets. It is anticipated that the Funds will be a purely passive investor in Underlying Funds, with little or no right to vote upon or otherwise control the principal activities of such funds. In addition, the Underlying Managers may be entitled to receive management fees, carried interests or other forms of compensation in respect of such funds. There will be no reduction in the Management Fees payable to Covariance with respect to the portion of the assets in any Account that is invested in such funds. Furthermore, Underlying Funds that are internationally-focused and/or domiciled may be prone to additional risks, for example, they may have custody arrangements that provide for custody to occur outside the U.S., which could cause administrative problems in the event of political upheaval (for example, assets could be frozen in the event of a political or military conflict).

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, clients should carefully review the confidential offering memorandum for additional information about risks associated with investing in the Program and each asset class Fund.

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 is registered with the U.S. Commodity Futures Trading Commission as a Commodity Pool Operator. Various members of the Covariance staff have registered as associated persons of the firm and include the President and Chief Investment Officer, co-Chief Investment Officer and the Managing Director, Business Development and Investor Relations.

As noted in Item 4, Covariance manages the TIAA Account, an investment account for TIAA. 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 under Rule Section 204A-1 of the Advisers Act which applies to all Covariance staff. Covariance's Code of Ethics governs, among other things, the personal securities trading activities of all Covariance employees and members of their households. In addition to personal securities trading procedures, the Code of Ethics includes provisions on the confidentiality of client information, a prohibition on insider trading, a prohibition on circulating false rumors, restrictions on the acceptance of gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other matters. 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.

The Code of Ethics provides that Covariance staff must at all times place the interests of clients above their own. All Covariance staff must acknowledge the terms of the Code of Ethics when

first hired and annually thereafter, or when amended. Covariance will provide a copy of Covariance's Code of Ethics to clients and prospective clients upon request.

As discussed in Item 10, 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.

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. Most trades are of Underlying Fund shares that are not subject to any commission.

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 offered. 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 currently has no soft dollar arrangements. In addition, no related persons have acquired products or 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 at least quarterly 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 an electronic monthly account statement and, as applicable, such other periodic reports as may have been agreed upon between Covariance and such client. The statement includes for each fund: the beginning and end net asset value, amounts subscribed and redeemed and net income or loss and rates of return. On a quarterly basis or at such other times as reasonably requested, Covariance's investment and client relationship personnel will report to each Program 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

State Street Bank and Trust Company is the custodian for all Funds managed by Covariance. International Fund Services (IFS), a division of State Street Bank, is the administrator for those vehicles. IFS provides client statements electronically on a monthly basis.

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.

Covariance, has adopted and implemented written policies and procedures pursuant to Rule 206(4)-6 of the Advisers Act that are reasonably designed to ensure that client securities are voted in the best interest of clients. These procedures include how Covariance addresses material conflicts that may arise between Covariance's interests and those of its 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.

Prior to exercising its voting authority in respect of client securities, Covariance reviews all relevant facts and determines whether a material conflict of interest may arise due to business, personal or family relationships of Covariance or its staff, on the one hand, and any client, on the other hand. If a material conflict exists, Covariance will adhere to its Proxy Voting Policy to ensure that its voting decision is in the best interest of the client and not a product of the conflict of interest. Among other actions, the Policy directs Covariance to seek the advice of the Chief Compliance Officer or to defer to the voting recommendation of an independent third party provider or fiduciary, such as a proxy voting service. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts maybe similar (or identical).

Clients may obtain information about how Covariance voted with respect to their securities by contacting the firm's Managing Director of Business Development and Investor Relations. 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.

Item 19 – Requirements for State Registered Advisers

Not applicable.