



Item 1 – Cover Page

# GROSVENOR CAPITAL MANAGEMENT, L.P.

900 North Michigan Avenue  
Suite 1100  
Chicago, Illinois 60611  
312-506-6500

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

Brochure dated January 2, 2014  
(SEC Form ADV, Part 2A)

This Brochure provides information about the qualifications and business practices of Grosvenor Capital Management, L.P. (**GCM**). Additional information about GCM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

If you have any questions about the contents of this Brochure or the additional information about GCM made available on the SEC's website, please contact GCM at [client.services@gcmlp.com](mailto:client.services@gcmlp.com).

References to "we," "us" and "our" in this Brochure are to GCM, and references to "client accounts" are to accounts that we manage, advise or sub-advise for our clients on a discretionary or non-discretionary basis. (See Item 16 of this Brochure for a description of the manner in which we characterize client accounts as "discretionary.") In addition, for your convenience, the Glossary to this Brochure contains definitions of certain terms that are used frequently in this Brochure.

We are registered with the U.S. Securities and Exchange Commission (**SEC**) as an investment adviser under the U.S. Investment Advisers Act of 1940 (**Advisers Act**). Registration with the SEC as an investment adviser under the Advisers Act does not imply a certain level of skill or training. Further, the information in this Brochure has not been approved or verified by the SEC, any state securities authority, any other governmental authority or any regulatory or self-regulatory organization, nor has any of the foregoing approved or disapproved of our qualifications.

## **Item 2 – Material Changes**

We would like to bring to your attention the following changes to our Brochure:

1. On January 2, 2014, our parent company and GCM Customized Fund Investment Group, L.P., an investment adviser registered as such with the SEC that is under common control with us, acquired from affiliates of Credit Suisse Group AG (“Credit Suisse”) certain assets associated with Credit Suisse’s Customized Fund Investment Group. This transaction resulted in changes to many of our responses in Item 10.
2. In Item 11, we have clarified our policies and procedures for allocating limited investment opportunities to GCM Funds or other client accounts that we advise on a non-discretionary basis.

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#### **Item 4 – Advisory Business**

##### ***Our Business***

We and our predecessors have been in business since 1971.

We specialize in providing the following hedge fund investment management and advisory services to our clients:

- ***Multi-Investor Investment Funds***

We offer investment funds that are designed for multiple investors who seek ease of investment, immediate diversification and choice of strategy.

Investors who wish to invest in our multi-investor investment funds may choose from multi-strategy, credit-focused, equity-focused, macro-focused, commodity-focused and other specialty portfolios.

Our multi-investor investment funds invest primarily in underlying hedge funds in pursuing their respective strategies.

- ***Customized Investment Funds***

We offer customized investment funds that are designed for investors seeking a customized mandate, control over structure and/or involvement in the investment process.

We collaborate with the investor to design, implement and monitor a customized portfolio that is tailored to the investor's unique needs.

Like our multi-investor investment funds, our customized investment funds invest primarily in underlying hedge funds in pursuing their respective strategies.

- ***Advisory Services***

We offer clients who seek assistance in designing, building and managing their hedge fund investment programs a wide range of tailored, non-discretionary services in the following areas:

*Program Design* – We work with clients to design the framework of their overall hedge fund programs.

*Operational Infrastructure* – We work with clients to design and implement operational infrastructures for their hedge fund programs. To achieve operational goals, clients may build in-house capabilities, leverage our administrative services and/or engage third-party service providers.

*Due Diligence* – Clients may access our due diligence views of hedge fund managers and funds through our due diligence reports and/or through conversations with our staff. Managers and funds may be sourced by us or the client. We may conduct due diligence and monitoring jointly with the client’s staff.

*Structuring* – We assist clients who are developing their hedge fund programs in assessing and selecting the appropriate structures for their hedge fund investments. We permit clients to participate in hedge fund investments that reflect customized structures or terms negotiated between us and certain hedge fund managers.

*Portfolio and Risk Management* – We offer clients advice on portfolio management and monitoring of particular hedge fund portfolios, as well as their overall hedge fund programs. We also provide clients access to our risk aggregation and analytical capabilities to measure, monitor and “stress test” certain risks associated with investments in their hedge fund programs.

*Technology Solutions* – We provide a range of technology solutions to assist clients in managing their hedge fund investment processes.

*Knowledge Transfer* – We offer clients formal educational and training sessions to assist in the development of clients’ in-house hedge fund knowledge and capabilities.

*Transition Services* – We assist clients in managing the liquidation or transfer of hedge fund portfolios previously managed by other investment managers.

For purposes of convenience, we sometimes refer to the investment funds and other client accounts that we manage or advise as **GCM Funds**.

The investment managers of the underlying hedge funds in which the GCM Funds invest typically employ one or more of the non-traditional or “alternative” investment strategies discussed in Item 8 of this Brochure under the heading “***Investment Strategies***.” In employing those strategies, the investment managers (whom we refer to as **Investment Managers**) typically invest and reinvest the assets of the underlying hedge funds they manage (which we refer to as **Portfolio Funds**) in securities and other financial instruments.

Our investment management/advisory services currently are limited to the services discussed above and the related services of the types discussed below in this Item 4 under the heading “***Other Investment Management/Advisory Services***,” but in the future we may offer additional types of investment management/advisory services.

In addition, we provide certain accounting and financial reporting services, tax reporting services, administrative support services and client services, as discussed below in this Item 4 under the heading “***Administrative Services***.”

### ***Our Investment Process***

As discussed in greater detail below (and subject to the special considerations relating to the investment process relating to our Direct Opportunities Program, as described below under “***Direct Opportunities Program,***” and our Seed Fund Program, as described below under “***Other Investment Management/Advisory Services – Seeding Transactions***”), our investment process is:

- overseen by our Investment Committee (discussed below); and
- implemented by our Investments Department, which is comprised of three functional teams: Manager Research, Portfolio Management and Risk Management.

#### **1. Manager Research**

Our Manager Research Team (**Manager Research Team**) is led by Mr. David S. Richter, who is also the Chair of our Investment Committee. As described more fully below, analysts assigned to our Manager Research Team are responsible for strategy research, investment due diligence and monitoring of Investment Managers and Portfolio Funds. Analysts assigned to our Manager Research Team are organized into strategy/regional teams, each led by a “Strategy Head,” that specialize in equities, global macro, relative value, commodities, credit, Asia, Europe, emerging managers and special opportunities. Each strategy team is responsible for identifying Investment Managers globally within its respective strategy.

#### **2. Portfolio Management**

Investment professionals assigned to our Portfolio Management Team are divided into separate Portfolio Management Teams (each, a **Portfolio Management Team**). We assign a Portfolio Management Team to each GCM Fund, and each Portfolio Management Team is responsible for the day-to-day management of the GCM Fund(s) to which it is assigned. Each Portfolio Management Team consists of a portfolio manager, a senior portfolio analyst and one or more junior portfolio analysts, and is led by its portfolio manager. The Portfolio Management Team assigned to a particular GCM Fund is responsible for evaluating portfolio composition and proposing allocation changes for such GCM Fund. Members of the Portfolio Management Teams communicate with clients to discuss performance, outlook and proposed portfolio changes.

Mr. David S. Richter and Mr. Bradley H. Meyers, who are members of our Investment Committee, are responsible for designating the members of each Portfolio Management Team. Mr. Meyers has general oversight over the functions of each Portfolio Management Team.

### 3. Risk Management

Our Risk Management Team (**Risk Management Team**) is led by Jennifer Stack, Ph.D. Our Risk Management Team works with our Manager Research and Portfolio Management Teams to perform risk management assessments of investment strategies, Investment Managers, Portfolio Funds and GCM Funds. Our Risk Management Team has three primary responsibilities:

- conducting independent risk management due diligence and monitoring of Investment Managers and their Portfolio Funds;
- performing risk management analytics on GCM Funds, underlying Portfolio Funds and clients' full hedge fund programs; and
- developing proprietary risk management tools.

Our investment process involves five basic facets:

#### 1. *Strategy Due Diligence*

Our Investment Committee is responsible for identifying and evaluating the investment strategies and sub-strategies that may be used by the GCM Funds. Our Investment Committee makes its decisions with input from our Manager Research, Portfolio Management and Risk Management Teams.

We appoint strategy teams within the Manager Research Team to identify opportunities associated with particular investment strategies. Our Risk Management Team assesses strategy-specific risks associated with the opportunities identified by our strategy teams. When evaluating strategies, we examine factors such as the following:

- the historical returns of the strategy in various market environments;
- the fundamental and/or technical factors driving the expected profitability of the strategy;
- the expected returns from the strategy over a market cycle (generally, three to five years);
- the expected variability of the strategy's returns over a market cycle;
- the magnitude of the strategy's potential losses in extremely adverse markets;
- the extent to which the performance of the strategy is expected to correlate with that of traditional market indices, as well as with investment strategies already being used by the GCM Funds and with certain other investment strategies;



- the liquidity characteristics of the underlying securities used in implementing the strategy;
- the degree of difficulty in pricing and hedging the underlying securities used in implementing the strategy;
- the cost of implementing the strategy, including transaction costs and fees and expenses paid to the Investment Managers that implement the strategy;
- the quality of the pool of Investment Managers available to implement the strategy; and
- the potential impact of macroeconomic factors on the strategy.

Our Investment Committee evaluates a range of strategies that rely upon either fundamental or systematic investment approaches and that employ techniques designed to mitigate systemic or market risks. While the majority of GCM-advised capital is allocated to Investment Managers that employ a fundamental investment approach, we also allocate a smaller portion of capital to Investment Managers that employ a systematic investment approach and believe they offer both style diversification and generally low levels of correlation.

As discussed in greater detail in Item 8 of this Brochure under the heading “*Investment Strategies*,” GCM Funds generally invest in one or more of eight general categories of investment strategies: “Credit Strategies,” “Relative Value Strategies,” “Multi-Strategy,” “Equity Strategies,” “Event Driven Strategies,” “Macro Strategies,” “Commodities Strategies” and “Portfolio Hedging Strategies.” These strategies focus primarily on developed markets in the U.S., Europe and Japan and on emerging markets in Latin America, Eastern Europe and Asia-Ex-Japan. However, we do not maintain a list of strategies in which we will not invest. Our Investment Committee may approve investments with Investment Managers implementing any hedge fund strategy that we believe is appropriate for inclusion in the GCM Funds.

As part of the investment strategy evaluation process, our Investment Committee determines (and reviews and amends from time to time) guidelines specifying the target percentages of assets (usually determined as a range) that our Portfolio Management Teams (discussed below) generally follow in proposing, for the GCM Funds assigned to them, initial and subsequent portfolio allocations to particular investment strategies and underlying exposure categories (**Firmwide Investment Goals**), based in part on our Investment Committee’s outlook for such investment strategies and underlying exposure categories. Our Investment Committee, with input from the Manager Research, Risk Management and Portfolio Management Teams, bases its outlook for particular investment strategies and underlying exposure categories on its evaluation of the risk/reward profiles of such investment strategies/underlying exposure categories. In evaluating the risk/reward profiles of specific investment strategies/underlying exposure categories, our Investment Committee ordinarily considers factors such as:

- its ongoing review and monitoring of the macroeconomic environment and assessment of the likely impact of macroeconomic variables on such investment strategies/underlying exposure categories;
- its ongoing analysis of the primary drivers impacting such investment strategies/underlying exposure categories;
- communications with Investment Managers (as well as other third-party investment managers), regarding their assessments of their particular opportunity sets; and
- communications with other market participants, such as broker-dealers.

## 2. *Investment Manager/Portfolio Fund Due Diligence*

Our process for identifying, evaluating and approving particular Investment Managers and particular Portfolio Funds managed by them has four key phases:

- Identification and Initial Screening

Our Manager Research Team is organized into strategy teams, each led by a “Strategy Head.” Each strategy team is responsible for identifying the Investment Managers globally within its strategy. Although our strategy teams use a number of methods to identify potential Investment Managers, they rely heavily upon our extensive network of industry contacts and proprietary database of information developed over many years in connection with managing multi-manager investment funds.

During initial screening, our strategy teams evaluate, among other things:

- › Management company
- › Background/experience of key personnel
- › Manager’s risk and return expectations for the portfolio
- › Portfolio mandate/investment universe
- › Investment decision-making structure
- › Performance history
- › Level of principals’ investment
- › Assets under management

- Initial “Investment” Due Diligence

Our Manager Research Team performs initial due diligence on Investment Managers that pass the screening process. The decision to commence initial due diligence is typically made by the relevant strategy team. In some cases, the Investment Committee may direct the Manager Research Team to conduct targeted searches and evaluations for Portfolio Funds focused on a particular strategy or region. Initial due diligence involves a more in-depth review and analysis of the factors listed above under “Identification and Initial Screening,” plus additional quantitative analyses on performance, risk/return statistics and exposure. If the Manager Research Team believes additional work is warranted, it will present the Investment Manager to the Investment Committee, which may direct the team to:

- cease work on the Investment Manager (either temporarily or permanently);
- perform additional work and present to the Investment Committee again; or
- commence full due diligence.

- Full Due Diligence – Investment, Risk Management and Operational

*Investment Due Diligence*

If our Investment Committee directs our Manager Research Team to conduct full due diligence with respect to an Investment Manager, we assign an investment due diligence team (**Investment Due Diligence Team**) to that Investment Manager, which is responsible for assessing:

- certain qualitative factors relating to the potential Investment Manager, such as its investment philosophy, investment mandate and investment decision-making structure, the skills and commitment of its key professionals, its depth and breadth of experience in the relevant investment strategy, its investment and risk management processes, its organizational infrastructure and its stability; and
- the quality of such potential Investment Manager’s historical returns.

In conducting investment due diligence with respect to a potential Investment Manager, the Investment Due Diligence Team assigned to the Investment Manager typically will complete the following:

- multiple on-site visits to the Investment Manager’s primary investment office and, if applicable, key satellite investment offices;

- › multiple reference checks on key investment personnel; and
- › a proprietary information packet that may include an introductory memorandum, a profile of the Investment Manager, and a summary of completed due diligence, references and the nature of the quantitative and qualitative due diligence performed.

#### Risk Management Due Diligence

Our Risk Management Team is responsible for performing due diligence (separately from our Manager Research Team) to assess the risk management processes (both quantitative and qualitative) and systems of Investment Managers and to analyze the risk and exposure of the Portfolio Funds managed by the Investment Managers.

#### Operational Due Diligence

If the Investment Due Diligence Team assigned to a potential Investment Manager believes that the Investment Manager is likely to pass our investment due diligence process, the team initiates “operational” due diligence by requesting our operational due diligence team (**Operational Due Diligence Team**) to evaluate the Investment Manager from an operational and legal perspective. Upon receiving such a request with respect to an Investment Manager, our Operational Due Diligence Team is responsible for:

- › reviewing and analyzing relevant legal and regulatory documentation;
- › utilizing independent third-party investigative firms to perform background checks of the Investment Manager, its key personnel, its Portfolio Fund(s), and (if applicable) the independent directors of such Portfolio Fund(s); and
- › evaluating the people, processes and systems that support the Investment Manager’s infrastructure and operations.

Our Operational Due Diligence Team is charged with evaluating a potential Investment Manager’s operational infrastructure and the overall design of the Investment Manager’s internal control environment. This evaluation includes a review of the audited financial statements of the Portfolio Fund(s) managed by such Investment Manager (if available) and evaluation of the audit firm engaged by such Investment Manager to audit such Portfolio Fund(s).

- Investment Committee and Operations Committee Approval

Our Investment Committee (**Investment Committee**) currently has three members: Mr. David S. Richter (Chair), Mr. David B. Small and Mr. Bradley H. Meyers. Our

Investment Committee makes decisions by majority vote. Mr. Michael J. Sacks, our Chairman and Chief Executive Officer, has the authority to veto any decision made by the Investment Committee. However, if our Investment Committee rejects or terminates a particular Investment Manager or Portfolio Fund, Mr. Sacks is not authorized to override such rejection or termination.

Except where we expressly agree otherwise with a client, our Investment Committee must approve a particular Investment Manager and particular Portfolio Fund(s) managed by such Investment Manager from an “investment” and “risk” perspective before we may invest the assets of any client in such Portfolio Fund(s) or recommend to a client that it invest its assets in any such Portfolio Fund(s).

In connection with approving particular Investment Managers and Portfolio Funds and from time to time thereafter, our Investment Committee determines guidelines specifying the target percentages of assets (usually determined as a range) which assist our Portfolio Management Teams in proposing, for the GCM Funds assigned to them, initial and subsequent portfolio allocations to a particular Portfolio Fund or Portfolio Funds managed by a particular Investment Manager (**Target Allocations**).

Our Operations Committee (**Operations Committee**) currently has three members: Mr. Paul A. Meister (Chair), Mr. Eric A. Felton and Mr. Joseph H. Nesler. Our Operations Committee makes decisions by majority vote. As is the case with respect to decisions made by the Investment Committee, Mr. Sacks has the authority to veto any decision made by the Operations Committee. However, if our Operations Committee rejects or terminates a particular Investment Manager or Portfolio Fund, Mr. Sacks is not authorized to override such rejection or termination.

Except where we expressly agree otherwise with a client, our Operations Committee must approve a particular Investment Manager and particular Portfolio Fund(s) managed by such Investment Manager from an “operational” perspective before we may invest the assets of any client in such Portfolio Fund(s) or recommend to a client that it invest its assets in any such Portfolio Fund(s).

### 3. *Establishing Investment Objectives and Constraints for the GCM Funds*

We manage, on a discretionary basis, many GCM Funds that are designed for multiple investors. In these cases, our Investment Committee determines – prior to the launch of the GCM Fund and, thus, prior to the time that any investor has invested in the GCM Fund – the particular investment objectives and investment restrictions (**Investment Objectives and Constraints**) that will apply to our management of the GCM Fund. These restrictions typically do not include restrictions on the GCM Fund’s ability to make investments in particular securities or particular types of securities. Further, investors in a multi-investor GCM Fund typically are not afforded the opportunity to place restrictions on such GCM Fund’s ability to make investments in particular

securities or types of securities, or otherwise place any limitations on our exercise of discretionary authority over such GCM Fund.

We also manage, on a discretionary basis, GCM Funds that are designed for single investors (or groups of related investors). In these cases, prior to the launch of the GCM Fund, our Investment Committee proposes to the single investor (or group of related investors) the Investment Objectives and Constraints that will apply to our management of the GCM Fund, and the investor is afforded the opportunity to review and suggest changes to such Investment Objectives and Constraints, including restrictions on the GCM Fund's ability to make investments in particular securities or particular types of securities. If our Investment Committee agrees to be bound by any such changes, we will follow them in connection with managing the GCM Fund.

#### *4. Constructing a Portfolio Designed to Meet the GCM Fund's Objectives*

The Portfolio Management Team that we assign to a particular GCM Fund is responsible for proposing the initial portfolio of such GCM Fund, and for proposing changes to such portfolio from time to time, by employing a combination of "top-down" and "bottom-up" inputs.

The "top-down" inputs consist of:

- using strategies consistent with the relevant mandate;
- the requirement to use Investment Managers and Portfolio Funds that have been approved both by our Investment Committee and our Operations Committee;
- the Firmwide Investment Goals and Target Allocations applicable to the relevant GCM Fund; and
- the Investment Objectives and Constraints of the relevant GCM Fund.

The "bottom-up" inputs consist of the Portfolio Management Team's judgment in selecting and proposing the allocation of capital to approved Portfolio Funds in a manner that the Portfolio Management Team determines to be appropriate in light of the relevant GCM Fund's Investment Objectives and Constraints and other investment restrictions. Our Portfolio Management Teams base their allocation proposals upon both qualitative and quantitative factors, supplementing experienced investment judgment with quantitative analyses. For additional information regarding these matters, please consult Item 8 of this Brochure.

The Portfolio Management Team assigned to a particular GCM Fund may consider a number of factors in selecting Portfolio Funds for such GCM Fund, including, but not limited to:

- the perceived attractiveness of the Portfolio Fund's opportunity set;

- the Portfolio Fund's strategy, sub-strategy and region, and the exposure bias and investment style of its Investment Manager (*e.g.*, generalist versus sector specialist; shorter-term versus longer-term investment horizon; level of activism; value versus growth orientation; concentrated versus diversified; long- versus short-bias; *etc.*);
- correlation with other Portfolio Funds used by such GCM Fund;
- compatibility of the Portfolio Fund's liquidity provisions with those of such GCM Fund; and
- the capacity of the Portfolio Fund to accept additional capital.

Our Risk Management Team is responsible for analyzing the risk and exposure of the GCM Funds and developing technology solutions for risk evaluation, including risk aggregation. The Portfolio Management Team assigned to a particular GCM Fund utilizes certain quantitative analytical reports developed by our Risk Management Team and generated by our proprietary risk management software (as well as certain third-party software) to test and refine its judgment regarding:

- its selection of Investment Managers/Portfolio Funds for such GCM Fund; and
- the amount of assets proposed to be allocated to each such Investment Manager/Portfolio Fund.

Such reports are designed to enable our Portfolio Management Teams to evaluate the risk and return characteristics of proposed alternative allocations to particular Investment Managers. Such reports currently consist of historical simulation analyses, historical simulation stress tests and scenario analyses, forward-looking analyses, look-through exposure analyses and portfolio liquidity analyses.

Mr. David S. Richter and Mr. Bradley H. Meyers must review and approve all initial and subsequent portfolio allocations proposed by each Portfolio Management Team for each GCM Fund assigned to such Portfolio Management Team.

Mr. Michael J. Sacks has general oversight authority over portfolio management activity for the GCM Funds.



5. *Monitoring Investment Strategies, Investment Managers and Portfolio Funds and Adjusting the Composition of the GCM Fund from Time to Time when We Believe such Adjustment Is Appropriate*

Strategy Monitoring

Certain investment professionals within our Manager Research Team are responsible for staying abreast of market developments affecting specific investment strategies and communicating their findings to our Investment Committee. Our Investment Committee reviews such findings to determine whether particular investment strategies (and the Firmwide Investment Goals and Target Allocations previously established by our Investment Committee) continue to be appropriate. Our Investment Committee may determine to change the position size target ranges applicable to an investment strategy, based on any number of factors, such as:

- better alternatives for investing the capital invested in such investment strategy;
- changes in the expectations for such investment strategy; or
- changes in the investment or economic environment.

Investment and Risk Management Monitoring

The Manager Research Team professionals assigned to a particular Investment Manager are responsible for staying abreast of current developments affecting the Investment Manager and communicating its findings to our Investment Committee and Portfolio Management Teams.

Our Manager Research Team monitors certain aspects of Investment Manager performance and communicates from time to time with Investment Managers to review the performance of the Portfolio Funds managed by such Investment Managers and to discuss such Investment Managers' investment outlook.

We obtain certain exposure-level information designed to enable our Investment Committee, our Portfolio Management Teams and our Manager Research Team to analyze various investment strategies, markets and sectors on a "look-through" basis. Although we do not require that Investment Managers provide position-level transparency, Investment Managers generally provide aggregated, portfolio-level information with respect to the invested positions and risk profiles of their Portfolio Funds. This information typically includes, but is not necessarily limited to, data related to each Portfolio Fund's long, short, gross and net exposure, industry sector and/or geographic exposure (where appropriate), concentration, and leverage. The information set provided by Investment Managers varies depending upon their investment strategy focus and investment style. This summary-level risk information is augmented through ongoing conversations with the Investment Manager and, together with such conversations, is intended to provide an overall view of the relevant Portfolio Fund's risk exposure.



Our Risk Management Team also monitors each Investment Manager, Portfolio Fund and GCM Fund on an ongoing basis, so as to understand the key drivers of risk at the strategy, Portfolio Fund and systematic level and to recommend, to our Investment Committee, appropriate measures to mitigate the potential impact of such risks on the GCM Funds.

Our intent is to make medium- to long-term commitments to Investment Managers on behalf of the GCM Funds (in order to give the Investment Managers a reasonable opportunity to achieve their objectives). Our Investment Committee may, however, determine to terminate an existing Investment Manager based on any number of factors, such as:

- disappointing performance relative to the Investment Committee's expectations for the Investment Manager or to other Investment Managers using the same general type of investment strategy;
- indicators of excessive risk taking (such as exposure, concentration, or performance data) that are inconsistent with the Investment Committee's expectations;
- deviation from stated investment strategy;
- deviation from area of expertise;
- significant revisions of reported results; and
- a change in circumstances regarding the Investment Manager, including:
  - changes in the Investment Manager's investment process or style, in the type or amount of the Investment Manager's assets under the management, in the type(s) of products offered by the Investment Manager, in key personnel, in the terms and conditions of investments in the Portfolio Fund(s) managed by the Investment Manager;
  - new conflicts of interest affecting the Investment Manager;
  - legal or ethical issues;
  - lack of or misleading disclosure; and/or
  - withdrawal of investments by the Investment Manager and/or its personnel from the Investment Manager's Portfolio Fund(s).

These factors, either alone or in combination, are not necessarily grounds for immediate Investment Manager termination, but may lead our Investment Committee to place an Investment Manager on its "watch list," triggering additional due diligence measures relating to the factors that resulted in the decision to place such Investment Manager on the "watch list." Absent client

instructions to the contrary, no additional capital may be allocated to an Investment Manager once the Investment Manager is placed on our Investment Committee’s “watch list.” Our Investment Committee may remove an Investment Manager from its “watch list” if the results of the review are favorable, or terminate the Investment Manager if the results of the review are unfavorable. While our Investment Committee may elect to terminate an Investment Manager, its ability to cause the GCM Funds to fully withdraw/redeem from the Investment Manager’s Portfolio Fund(s) may be limited by the investor liquidity provisions of such Portfolio Fund(s).

Our Investment Committee also may determine that developments at the Investment Manager should be followed more closely for a period of time—perhaps an extended period of time—before reaching a final decision.

#### Monitoring of Investment Managers’ Operations

Our Operational Due Diligence Team is responsible for staying abreast of current developments affecting the Investment Managers’ personnel, infrastructure, operations and service providers, as well as proposed amendments to the governing documents of Portfolio Funds managed by the Investment Managers, and for communicating its findings to our Operations Committee.

Our Operational Due Diligence Team monitors certain aspects of the Investment Managers’ operations and stays in frequent communication with the Investment Managers in reviewing the timeliness and accuracy of the investment performance reports of the Portfolio Funds provided by the Investment Managers. Our Finance Department has developed an ongoing investment manager monitoring program, utilized by our Operational Due Diligence Team, designed to:

- identify:
  - › inaccuracies in financial results and Portfolio Fund valuations reported by Investment Managers;
  - › changes in the Investment Managers’ personnel, processes or systems that support the Investment Managers’ operations; and
  - › changes in third-party service providers such as administrators or auditors used by the Investment Managers; and
- determine the nature and extent of future due diligence procedures to perform.

Our Operational Due Diligence Team, through its monitoring procedures discussed above, may identify issues that are not necessarily grounds for immediate Investment Manager termination, but may lead our Operations Committee to place an Investment Manager on its “watch list,” triggering additional due diligence measures relating to the factors that resulted in the decision to place such Investment Manager on such list. Absent client instructions to the contrary, no additional capital may be allocated to an Investment Manager once the Investment Manager is

placed on our Operations Committee’s “watch list” without the specific approval of our Operations Committee (which may delegate such approval authority to our Chief Financial Officer in certain cases). Our Operations Committee may remove an Investment Manager from its “watch list” if the results of the review are favorable, or terminate the Investment Manager if the results of the review are unfavorable. While the Operations Committee may elect to terminate an Investment Manager, its ability to cause GCM Funds to fully withdraw/redeem from the Investment Manager’s Portfolio Fund(s) may be limited by the investor liquidity provisions of such Portfolio Fund(s).

Our Operations Committee also may determine that developments at the Investment Manager should be followed more closely for a period of time—perhaps an extended period of time—before reaching a final decision.

Our Operational Due Diligence Team is also responsible for:

- periodically updating background investigations into the key personnel of the Investment Managers; and
- communicating its findings to our Operations Committee.

#### Portfolio Adjustment

The Portfolio Management Team assigned to a particular GCM Fund is responsible for proposing changes to such GCM Fund’s portfolio from time to time in a manner designed to meet the investment objectives of such GCM Fund. Most of the GCM Funds have dynamic portfolios. The Portfolio Management Team assigned to a GCM Fund is likely to propose changes to the amounts it wishes to allocate to particular Investment Managers on behalf of such GCM Fund from time to time in a continuing effort to achieve the investment objectives of such GCM Fund, based on factors such as:

- our Investment Committee’s ongoing evaluation of investment strategies;
- our Investment Committee’s approval of new Investment Managers/Portfolio Funds or termination of existing Investment Managers/Portfolio Funds;
- changes in such GCM Fund’s investment restrictions; and
- such Portfolio Management Team’s ongoing analysis of Investment Manager allocations in light of such GCM Fund’s investment objectives.

#### ***Modifications of Our Investment Process***

The discussion above summarizes our investment process in effect as of the date of this Brochure. We have previously modified our investment process, and expect to continue to modify our investment

process from time to time in the future. We may make material modifications to our investment process without notice to our clients.

### ***Direct Opportunities Program***

GCM's direct opportunities program (the **Direct Opportunities Program**) seeks to provide exposure to select "high conviction" investment ideas or investment themes of an Investment Manager. In the case of the Direct Opportunities Program, GCM designates certain investment professionals (**Direct Opportunities Investment Professionals**) to focus on: (i) identifying, and performing investment due diligence with respect to, prospective investment ideas or investment themes for the Direct Opportunities Program; (ii) structuring and negotiating the terms of investment vehicles with Investment Managers in which to execute the prospective investments or investment themes; and (iii) monitoring the investments or investment themes in the Direct Opportunities Program on an ongoing basis. GCM expects to appoint a special investment committee to be responsible for the ultimate selection of Direct Opportunities Program investments from an investment (as to opposed to operational) perspective (**DOIC**). In selecting such investments, the DOIC will rely on advice from the Direct Opportunities Investment Professionals. The factors taken into consideration by the DOIC in selecting investments for the Direct Opportunities Program can be expected to differ from the factors taken into consideration by our Investment Committee in selecting investments for other GCM Funds. Until such time as the DOIC is appointed, our Investment Committee is responsible for approving Investment Managers and Portfolio Funds (with respect to investment-related matters) for the Direct Opportunities Program. Our Operations Committee must approve investments proposed to be made by the Direct Opportunities Program from an "operational" perspective before we may invest any assets in such direct opportunities investments.

### ***Other Investment Management/Advisory Services***

#### **Temporary Investments and Hedging Transactions**

Except to the extent that the governing documents relating to a particular GCM Fund expressly provide otherwise, we may from time to time:

- invest, for cash management purposes, cash held by such GCM Fund (pending investment by such GCM Fund or distribution to its investors/participants) directly in securities and other financial instruments such as:
  - › U.S. government and agency securities;
  - › bank demand deposit accounts (which may or may not be interest bearing) and certificates of deposit; and/or
  - › commingled investment products (such as money market mutual funds); and/or
- cause such GCM Fund to engage in hedging transactions – for example, by:

- › purchasing or selling securities or derivatives with the intent of reducing certain exposures; and/or
- › entering into foreign currency forward contracts to hedge currency risk on behalf of such GCM Fund if such GCM Fund is denominated in a currency other than U.S. Dollars (*e.g.*, Japanese Yen, Euro, Swiss Franc), but invests primarily in U.S. Dollar-denominated Portfolio Funds (or if such GCM Fund is denominated in U.S. Dollars and invests in Portfolio Funds that are denominated in currencies other than the U.S. Dollar).

These temporary investments and hedging transactions are ancillary to the primary hedge fund investment program of the affected GCM Funds.

#### Ancillary Investments

We typically reserve the authority to invest the assets of the GCM Funds over which we have investment discretion directly in the types of financial instruments in which Portfolio Funds invest, with the objective of recognizing gains rather than for short-term cash management or hedging purposes (**Ancillary Investments**). Ancillary Investments of a GCM Fund, if made at all, ordinarily are minimal and are incidental to the primary hedge fund investment program of such GCM Fund.

In addition, a GCM Fund may obtain an Ancillary Investment by receiving a portfolio security distributed to it by a Portfolio Fund as an “in-kind” distribution. We generally seek to liquidate Ancillary Investments received as “in-kind” distributions after the relevant GCM Fund’s receipt thereof, as promptly as reasonably practicable subject to the liquidity of such Ancillary Investments.

Ancillary Investments of a GCM Fund may also include any co-investment opportunities that an Investment Manager has made available to such GCM Fund.

#### Seeding Transactions

GCM Funds, as well as we and our related persons acting for our own accounts, may enter into agreements (**Project Agreements**) under which such GCM Funds, we and/or our related persons invest in investment vehicles or accounts (**Seed Manager Funds**) and/or provide capital or debt financing to the investment management or advisory firms that manage or advise such vehicles or accounts (**Seed Managers**) in exchange for certain benefits, which are referred to in this Brochure as **Seeding Transaction Benefits**. Seeding Transaction Benefits typically include:

- the right to receive a portion of the fees, revenues and/or profits that otherwise would be received by the Seed Managers in connection with managing their Seed Manager Funds; and
- a variety of other rights and entitlements with respect to Seed Manager Funds and/or their Seed Managers, such as investing in such Seed Manager Funds on fee terms that are more favorable than those typically offered by such Seed Manager Funds to their investors or otherwise on a

“most favored nations” basis, Investment Capacity Rights (discussed below), and certain veto rights over actions proposed to be taken by the Seed Managers of such Seed Manager Funds – in each case exclusively as a passive investor having no control over the management or investment decision-making of such Seed Managers.

Typically, the only consideration for receiving Seeding Transaction Benefits is the investment by the participating GCM Fund, GCM and/or our related persons in the Seed Manager Fund managed or advised by the Seed Manager. In certain cases, however, a GCM Fund, GCM and/or our related persons may provide capital or debt financing to a Seed Manager (either in lieu of or in addition to investing in the Seed Manager Fund managed or advised by such Seed Manager) in exchange for Seeding Transaction Benefits.

We refer to the various transactions contemplated by Project Agreements as **Seeding Transactions**.

To the extent a GCM Fund, GCM and/or our related persons enter into Project Agreements, such Project Agreements typically involve investment vehicles or accounts managed or advised by newly-organized investment managers or advisors or early-stage investment managers or advisors that have not been able to raise a “critical mass” of client assets under management despite having been operating for some time.

In order to receive Seeding Transaction Benefits, a GCM Fund, GCM and/or our related persons ordinarily must commit investment capital to a Seed Manager Fund for a period of time that is substantially longer than the investor liquidity cycle typically offered by such Seed Manager Fund to its investors, subject to certain “special withdrawal rights,” discussed below (**Seed Capital**).

We currently operate one GCM Fund that enters into Project Agreements and invests in Seed Manager Funds and/or Seed Managers as a principal part of its business. We may operate additional GCM Funds of this type in the future. Each of these GCM Funds is referred to in this Brochure as a **GCM Seed Fund**.

In conjunction with our management of our current GCM Seed Fund, we have appointed certain investment professionals (**Seed Fund Investment Professionals**) to focus on:

- identifying, and performing investment due diligence with respect to, prospective Seeding Transactions for the GCM Seed Fund;
- structuring and negotiating the terms of the Project Agreements pursuant to which the GCM Seed Fund commits Seed Capital to Seed Manager Funds in exchange for Seeding Transaction Benefits; and
- monitoring the operation of each Seed Manager as well as the performance of the applicable Seed Manager Fund and the GCM Seed Fund as a whole.

A special seed fund investment committee (**SFIC**) is ultimately responsible for the selection of the Seeding Transactions in which the GCM Seed Fund will participate. In evaluating prospective Seeding



Transactions, the SFIC relies on advice from our Seed Fund Investment Professionals, as well as members of our Operational Due Diligence Team. The investment and operational factors taken into consideration by our SFIC in selecting Seeding Transactions for the GCM Seed Fund differ in certain respects from the factors taken into consideration by our Investment Committee in selecting investments for other GCM Funds. For example, concepts such as Firmwide Investment Goals and Target Allocations do not apply to investments made by a GCM Seed Fund. Conversely, considerations such as the entrepreneurship and business development commitment of the prospective Seed Managers, as well as their perceived credibility with prospective investors, are significantly more relevant to the evaluation of Seeding Transactions than they are in the allocation of GCM Fund capital among investment vehicles and accounts managed by established managers.

Our Operations Committee must approve all Seeding Transactions proposed to be made by the GCM Seed Fund from an “operational” perspective.

The GCM Seed Fund has a limited period of time during which we may cause it to enter into new Seeding Transactions. As this “investment period” draws to a close, we will have a financial incentive to cause the GCM Seed Fund to draw on the unfunded capital commitments of its investors to the maximum extent for the purpose of funding Seeding Transactions – even though we might not otherwise believe such transactions to be suitable for the GCM Seed Fund – because we receive fees on amounts actually invested by the GCM Seed Fund in Seeding Transactions. This will also be the case with any other GCM Seed Fund that we operate.

In most cases, even though a GCM Seed Fund typically will commit capital to a Seed Manager Fund for a period of time that is substantially longer than the investor liquidity cycle typically offered by such Seed Manager Fund to its investors, the GCM Seed Fund will be entitled to an earlier withdrawal of its capital in the event of certain extraordinary events that affect such Seed Manager Fund or its Seed Manager. We refer to this type of entitlement as a “special withdrawal right.” In determining whether to cause a GCM Seed Fund to exercise a “special withdrawal right” to withdraw Seed Capital from a Seed Manager Fund managed or advised by a particular Seed Manager, we may have a financial incentive not to exercise such right – even though we might otherwise believe that such withdrawal is appropriate under the circumstances – because exercising such right could cause us to forego the fees we otherwise would receive in respect of such Seed Capital.

#### Placing Assets Under the Management of Seed Managers

We may invest the assets of GCM Funds, as well as our own assets and/or the assets of our related persons, directly (or indirectly by investing in a GCM Seed Fund or other GCM Fund) in: (i) Seed Manager Funds and/or Seed Managers; and/or (ii) investment opportunities made available by Seed Managers, but which they consider to be outside the scope of their respective investment mandates (**Special Opportunities**).

Except as otherwise provided in the operative documents of a particular GCM Fund and/or agreed between an investor in a GCM Fund and GCM:

- we have no obligation to make available to any GCM Fund, or to any investor in any GCM Fund, any opportunity to enter into a Project Agreement, or to invest in any Seed Manager Fund, Seed Manager or Special Opportunity;
- we retain sole discretion (subject to the offering and governing documents of the GCM Funds, the requirements of applicable law and such policies, if any, as we may from time to time adopt) to determine:
  - > the extent to which one or more GCM Funds enter into Project Agreements and invest in Seed Manager Funds, Seed Managers and/or Special Opportunities; and
  - > the terms on which such GCM Funds will do so.

While GCM Funds that are not GCM Seed Funds may invest in Seed Manager Funds, such GCM Funds generally will not enter into Project Agreements involving such Seed Manager Funds and/or their Seed Managers, commit Seed Capital to such Seed Manager Funds or provide capital or debt financing to Seed Managers. Any such arrangements in which the GCM Funds are involved will, in any event, be limited and ancillary to the primary hedge fund investment programs of such GCM Funds (long-term revenue sharing entitlements and the long-term commitment of Seed Capital generally not being consistent with such GCM Funds' respective investment mandates).

Investments in Seed Manager Funds, Seed Managers and/or Special Opportunities may be made available to GCM Funds notwithstanding the fact that one or more GCM Seed Funds have entered into Project Agreements involving such Seed Manager Funds, Seed Managers and/or Special Opportunities. In certain cases, a Project Agreement may entitle a GCM Seed Fund that is party to a Project Agreement (as well as investors in such GCM Seed Fund) to invest in a Seed Manager's Seed Manager Fund on terms that are more favorable than those otherwise available to investors in such Seed Manager Fund (typically with discounts from a standard fee schedule). Accordingly, to the extent that other GCM Funds invest in such Seed Manager Fund, such GCM Funds may do so on terms that differ from (and may be less favorable than) those available to the applicable GCM Seed Fund.

We participate in the advisory fees generated by Seed Managers both through our direct investments in GCM Seed Funds as well as through the incentive compensation that we receive for managing such GCM Seed Funds (which reflects in part the advisory fees received by the Seed Managers of the Seed Manager Funds in which the GCM Seed Funds invest). Such sharing creates a conflict of interest because it gives us a financial incentive:

- to increase the assets under management of the Seed Managers, including using our discretion to allocate GCM Fund capital to Seed Manager Funds and/or Special Opportunities managed or advised by Seed Managers; and
- to maximize the advisory fees payable to such Seed Managers and, accordingly, a financial incentive not to negotiate the best obtainable financial terms on which GCM Funds other than the GCM Seed Funds make such investments.



In addition to the incremental revenues generated for GCM and GCM Seed Funds from GCM Fund capital allocated to Seed Manager Funds and/or Special Opportunities, the mere fact that capital is being invested with Seed Managers helps to promote their businesses and increase the Seeding Transaction Benefits to be received by GCM and the GCM Seed Funds under Project Agreements.

We also have a conflict of interest in determining whether to cause such GCM Funds to withdraw capital from a Seed Manager Fund because we may have a financial incentive not to exercise such right – even though we might otherwise believe that such withdrawal is appropriate under the circumstances – because exercising such right, by reducing the capital under the management of such Seed Manager, could reduce the fees, revenues and/or profits earned by such Seed Manager and thus reduce the amount of such fees, revenues and/or profits to which we are entitled under the Project Agreement relating to such Seed Manager Fund.

Certain investment funds or accounts managed by a prospective Seed Manager may be appropriate investment opportunities both for GCM Seed Funds and for GCM Funds other than GCM Seed Funds. However, if a GCM Seed Fund enters into a Project Agreement involving a particular Seed Manager, GCM Funds other than such GCM Seed Fund may be limited or precluded as a matter of our internal policies from making an investment in Seed Manager Funds or Special Opportunities managed by such GCM Seed Manager due to the actual/potential conflicts of interest involved. Accordingly, in evaluating Seeding Transactions, we are subject to the following conflicts of interest (among others):

- If we determine to cause a GCM Seed Fund to enter into a Project Agreement relating to a particular Seed Manager, GCM Funds other than such GCM Seed Fund may be limited or precluded by us from investing in the Seed Manager Funds and/or Special Opportunities managed by such Seed Manager due to the actual/potential conflicts of interest involved in such GCM Funds' investments generating revenues in which the GCM Seed Fund shares (as, indirectly, do ourselves and our related persons).
- If we determine to cause one or more GCM Funds that are not GCM Seed Funds to invest in an investment vehicle or account managed by a prospective Seed Manager, the GCM Seed Funds may be limited or precluded by our internal policies from entering into a Project Agreement relating to (or otherwise investing in) such prospective Seed Manager and/or from investing in such investment vehicle or account.

Depending on the types and amounts of compensation that we receive from GCM Seed Funds, on the one hand, and GCM Funds that are not GCM Seed Funds, on the other hand, we have an incentive to resolve this conflict by selecting the arrangement that results in the greatest benefit to us (irrespective of the benefits or the disadvantages to the GCM Seed Funds or GCM Funds).

In connection with managing a GCM Seed Fund, we seek to negotiate (and intend to continue to seek to negotiate) with respect to each Seed Manager the ability for such GCM Seed Fund, as well as investors in such GCM Seed Fund and GCM Funds other than such GCM Seed Fund, to invest additional amounts in one or more Seed Manager Funds managed by such Seed Manager (**Investment Capacity Rights**).

Investment Capacity Rights generally are made available on a priority basis either to the relevant GCM Seed Fund or to the investors in such GCM Seed Fund (typically *pro rata* based upon such investors' commitments to such GCM Seed Fund).

Often, capital invested pursuant to Investment Capacity Rights will have the benefit of discounted advisory fees as well as "most favored nation" treatment. To the extent that Investment Capacity Rights are used by one or more GCM Funds other than the applicable GCM Seed Fund, such GCM Funds' investments will be benefitted by the relevant Seeding Transaction entered into by such GCM Seed Fund (without any compensation being paid to such GCM Seed Fund) and may exhaust any Investment Capacity Rights that would otherwise have been available to the relevant GCM Seed Fund and/or such GCM Seed Fund's investors. Further, in the event that either a Seed Manager does not agree to Investment Capacity Rights or the applicable Investment Capacity Rights have been exhausted, we shall be required to allocate limited opportunities to invest in a Seed Manager Fund among the relevant GCM Seed Fund and one or more other GCM Funds; investors in the relevant GCM Seed Fund shall not be entitled to participate in this allocation process. As we may receive compensation from certain GCM Funds that is different from, and/or potentially greater than, the compensation we may receive in respect of GCM Seed Funds, we may have an incentive to favor GCM Funds that are not GCM Seed Funds in respect of allocating limited investment opportunities to invest in Seed Manager Funds.

Investment Capacity Rights generally do not include the right to invest in Special Opportunities made available by Seed Managers. While we typically will give the investors in the GCM Seed Fund which entered into a Seeding Transaction with a Seed Manager an opportunity to invest in any Special Opportunity made available by such Seed Manager, we have discretion to offer investments in such Special Opportunity to other GCM Funds without giving priority to the GCM Seed Fund or its investors.

We do not directly market Seed Manager Funds, although we believe that the fact that a GCM Seed Fund has a Project Agreement involving a Seed Manager assists such Seed Manager in its own marketing of its Seed Manager Funds. In certain cases, such marketing assistance may indirectly adversely affect other Seed Managers and/or Investment Managers with which GCM Funds are invested.

We and/or our related persons may provide back-office and administrative services to Seed Managers pursuant to service level agreements at what we believe to be arm's-length prices. While we and/or our related persons will only have the opportunity of entering into such service level agreements with Seed Managers due to the Seed Capital provided by the applicable GCM Seed Fund, such GCM Seed Fund will not share in any of the revenues which we and/or our related persons receive under any such service level agreement.

#### Advisory Services

We offer clients who seek assistance in designing, building and managing their hedge fund investment programs a wide range of tailored, non-discretionary services in the following areas:

*Program Design* – We work with clients to design the framework of their overall hedge fund programs.

*Operational Infrastructure* – We work with clients to design and implement operational infrastructures for their hedge fund programs. To achieve operational goals, clients may build in-house capabilities, leverage our administrative services and/or engage third-party service providers.

*Due Diligence* – Clients may access our due diligence views of hedge fund managers and funds through our due diligence reports and/or through conversations with our staff. Managers and funds may be sourced by us or the client. We may conduct due diligence and monitoring jointly with the client's staff.

*Structuring* – We assist clients who are developing their hedge fund programs in assessing and selecting the appropriate structures for their hedge fund investments. We permit clients to participate in hedge fund investments that reflect customized structures or terms negotiated between us and certain hedge fund managers.

*Portfolio and Risk Management* – We offer clients advice on portfolio management and monitoring of particular hedge fund portfolios, as well as their overall hedge fund programs. We also provide clients access to our risk aggregation and analytical capabilities to measure, monitor and "stress test" certain risks associated with investments in their hedge fund programs.

*Technology Solutions* – We provide a range of technology solutions to assist clients in managing their hedge fund investment processes.

*Knowledge Transfer* – We offer clients formal educational and training sessions to assist in the development of clients' in-house hedge fund knowledge and capabilities.

*Transition Services* – We assist clients in managing the liquidation or transfer of hedge fund portfolios previously managed by other investment managers.

#### Ancillary Information Provided as a Courtesy

We may from time to time provide to a client, at the client's request, information, advice, opinions, evaluations, recommendations, forecasts or suggestions (which we refer to as **Ancillary Information**) that relate to matters that are outside the scope of our management of such client's assets. Such Ancillary Information is general in nature and ordinarily does not take into account the client's particular circumstances or needs. Therefore, Ancillary Information is not, and should not be considered, advice with respect to the purchase, sale, holding or management of securities or other assets. Unless we expressly agree otherwise with the client, we provide Ancillary Information solely as a courtesy, and do not assume any duties to the client other than the duty to act in good faith in connection with providing Ancillary Information to the client.

### *Administrative Services*

We currently provide a broad range of accounting and financial reporting services, tax reporting services, administrative support services and client services (which we refer to as **Administrative Services**) for GCM Funds, as well as for certain investment funds whose investment portfolios are managed or advised by parties other than us (which we refer to as **GCM-Administered Funds**). These services include, but are not necessarily limited to, the following:

- **Accounting and Financial Reporting** – maintaining the official books and records of certain GCM Funds and certain GCM-Administered Funds (except in the case of GCM Funds and GCM-Administered Funds that have retained independent third-party administrators to maintain their official books and records) and reporting various financial information to investors/participants therein on both an interim and annual basis (including the preparation of annual financial statements and the coordination of the audits of such financial statements performed by an independent public accounting firm).
- **Tax Reporting** – preparing, in collaboration with an independent public accounting firm, required statutory tax filings and disclosures.
- **Administrator Relationship Management** – selecting, evaluating, coordinating and monitoring the services of independent administrators for various GCM Funds and GCM-Administered Funds.
- **Treasury Operations** – authorizing and/or executing the movement of funds directly or through the use of administrators, as well as managing short-term cash balances, negotiating/managing credit facilities and monitoring counterparty risk for various GCM Funds and GCM-Administered Funds.
- **Trade Management and Settlement** – processing and settling subscriptions to and withdrawals/redemptions from the Portfolio Funds in which GCM Funds invest, as well as executing and settling derivative contracts designed to ensure that certain GCM Funds maintain certain market exposure target ranges and/or hedge their exposure to the U.S. dollar or other currencies.
- **Client Services** – assisting clients in reviewing subscription documents and processing investment and withdrawal/redemption requests, as well as distributing regular investment performance reporting and responding to periodic client inquiries and requests.

### *Our Assets Under Management*

As of November 30, 2013, the net asset value of client accounts that we managed was approximately \$24.4 billion. The methodology used to calculate the net asset value of client accounts that we manage differs from the methodology used to calculate “regulatory assets under management” for purposes of

responding to Item 5.f(2) of Part 1 of our SEC Form ADV. Additional detail concerning the methodology used to calculate the net asset value of client accounts that we manage is available upon request.

Additionally, we provide advice on a non-discretionary basis to clients outside of such client accounts.

### ***Our Principal Owners***

Our principal owner is Grosvenor Capital Management Holdings, LLLP (**GCM Holdings**), an Illinois (USA) limited liability limited partnership. Our employees and former employees (as well as certain other persons formerly associated with us) indirectly own approximately 70% of the limited partnership interests in GCM Holdings (and, as a result, approximately 70% of us). Michael Sacks, our Chairman and Chief Executive Officer, is the principal owner of GCM Holdings and owns a controlling interest in GCM Holdings (through several intermediate entities that he controls and of which he is the principal owner).

Three entities under the management of Hellman & Friedman LLC, a private equity investment firm (the **H&F Partners**), collectively own approximately 30% of the limited partnership interests in GCM Holdings (and, as a result, approximately 30% of us). The H&F Partners are passive investors in GCM Holdings and do not play a role in the day-to-day management of either our Firm or GCM Holdings. The H&F Partners, however, have reserved certain “consent” rights with respect to certain extraordinary corporate actions taken by our Firm or by GCM Holdings, of the type commonly reserved by institutional private equity investors.

## **Item 5 – Fees and Compensation**

### ***Background***

As discussed in greater detail in Item 7 of this Brochure, we have three basic types of clients:

Type 1: Investment funds that we manage or advise on a discretionary or non-discretionary basis.

Some of these funds are privately offered and are not subject to registration under the U.S. Investment Company Act of 1940, as amended (**ICA**).

Others are “open-end” or “closed-end” investment companies that are registered under the ICA and that publicly offer their securities.

Many of our funds are designed for multiple investors. We refer to these as “multi-investor” funds.

Others are designed for a single investor (or group of related investors). We refer to these as “customized” or “single-investor” funds.

Some of our funds are “feeder” funds that are designed to invest all or substantially all of their assets in “master” funds that we manage or advise. “Feeder” funds may be “multi-investor” funds or “single-investor” funds, and may invest their assets in “master” funds that are “single-investor” or “multi-investor” funds.

- Type 2: Institutional investors, such as public or private pension plans, that enter into discretionary or non-discretionary investment management agreements, investment advisory agreements or similar agreements with us rather than investing in GCM Funds. The client accounts established under such agreements, like the GCM Funds, invest primarily in underlying hedge funds.
- Type 3: Institutional investors that we assist, on a non-discretionary basis, in designing, building and managing their hedge fund investment programs.

For purposes of convenience, we sometimes refer to the investment funds and other client accounts that we manage or advise as **GCM Funds**.

Below is a description of how we are compensated by our different types of clients and the expenses borne by such clients in connection with receiving investment management/advisory services from us.

### ***Fees in General***

Except as discussed below, we charge one of, or a combination of, the following management fees or performance fees or allocations to a client in connection with managing/advising a GCM Fund:

- a percentage of assets under management, which:
  - may be on a sliding or “tiered” scale; and/or
  - may be subject to a minimum floor (expressed in dollars or as a percentage of assets under management);
- a percentage of capital appreciation (which may be subject to a “hurdle,” a “high watermark” and/or a “preferred return”), or outperformance of a particular benchmark return, which may be a fixed percentage or based upon a variable index rate; and
- an agreed-upon fixed amount.

In the case of the GCM Seed Funds, in addition to one or more of the fees and allocations described above, we effectively participate in the revenue or other economics of the Investment Managers of such funds.



### ***Fees for Multi-Investor GCM Funds***

Each multi-investor GCM Fund sets forth its fee structure (including how and when fees are calculated, charged and payable) in an offering document provided to each prospective investor in the GCM Fund prior to the prospective investment in the GCM Fund.

Fees typically are payable either monthly or quarterly, either in advance (but never more than three months in advance) or in arrears, and typically are not negotiable.

Persons associated or formerly associated with us (and members of their families), as well of certain friends of such persons, may invest in GCM Funds on a non-fee paying basis or at fee rates that are lower than those charged to other investors in such GCM Funds, in our discretion.

### ***Fees for Customized GCM Funds***

Each customized GCM Fund sets forth its fee structure (including how and when fees are calculated, charged and payable) in a confidential explanatory memorandum, subscription agreement, investment management or advisory agreement, or other similar legal agreement provided to the prospective investor in the GCM Fund prior to the prospective investor's investment in the GCM Fund.

Fees (and other terms) for each customized GCM Fund are negotiated on a case-by-case basis with the investor(s) in such customized GCM Fund. Fees are payable either monthly or quarterly, either in advance (but never more than three months in advance) or in arrears.

### ***Fees for Advisory Services***

Fees for these services (which are discussed in Item 4 of this Brochure under the heading "***Other Investment Management/Advisory Services – Hedge Fund Program Advisory Services***") are negotiated on a case-by-case basis and depend upon the range of hedge fund program advisory services and other services that we provide to the client. Depending on the scope of the hedge fund program advisory services and other services we provide to the client, we may determine, in our discretion, not to charge the client additional fees for providing such hedge fund program advisory services to such client.

### ***Aggregation of Certain Accounts for Fee Purposes***

If a GCM Fund maintains a tiered fee structure such that the fees payable by the investor in the GCM Fund vary depending on the amount of the investor's investment in the GCM Fund, we may (but we are not obligated to) agree with an investor to:

- treat investments by the investor, its affiliates and/or certain other investors in the GCM Fund as a single investment for purposes of determining the fees payable by the investor in respect of the GCM Fund; and/or

- treat investment(s) by the investor, its affiliates and/or certain other investors in other GCM Funds as an investment in the GCM Fund for purposes of determining the fees payable by the investor and its affiliates in respect of the GCM Fund.

In most cases, aggregation of an investor's assets in the manner discussed above will result in an overall fee that is lower than would be the case in the absence of such aggregation.

### ***Deduction of Fees from GCM Funds***

In the case of multi-investor GCM Funds, we typically invoice such GCM Funds for our fees (typically on a monthly or quarterly basis) and then deduct such fees (or instruct that such fees be deducted) directly from the assets of such GCM Funds.

In the case of customized GCM Funds, depending on our agreement with the relevant investor, we either:

- invoice the relevant GCM Fund (typically on a monthly or quarterly basis) and then deduct our fees directly from assets of such GCM Fund; or
- invoice the relevant GCM Fund (typically on a monthly or quarterly basis) and, upon the investor's approval of our invoice, receive our fees either from the relevant GCM Fund or directly from the investor.

### ***Fee Refunds***

In cases where we require an investor in a GCM Fund to pay our fees in advance (as discussed above) and the investor terminates its investment in such GCM Fund in accordance with the termination provisions governing such GCM Fund prior to the expiration of the period for which the advance fee was paid, we pay an appropriate *pro rata* refund to the investor (or make a *pro rata* credit to the investor) designed to ensure that the investor pays a fee only for the portion of the period preceding the effectiveness of the termination.

### ***Expenses***

Each GCM Fund typically pays its organizational and initial offering costs out of the proceeds of the initial offering of its securities.

Each GCM Fund typically pays such costs and expenses as are necessary for the conduct of its business, including, where applicable, third-party administration, custodial and transfer agent fees and expenses.

As an investor in Portfolio Funds, each GCM Fund bears its allocable share of the Portfolio Funds' respective organizational, offering, investment and operating expenses, including taxes, interest due on borrowings, brokerage and other transaction costs, the fees, expenses and profit participations of the Investment Managers and any extraordinary costs incurred. The advisory fees charged by Investment Managers vary in type, amount and structure; for example, certain performance/incentive fees or



allocations are paid or made only after a “hurdle” rate of return has been achieved and others are calculated period-to-period without a “high water mark.” Moreover, some performance/incentive fees or allocations may be calculated after investors have received a return of capital and a preferred return, or variations of such arrangements.

Each GCM Fund is thus subject to two levels of fees and a potentially higher expense-to-equity ratio than would be associated with an investment fund that invests and trades directly in financial instruments under the direction of a single investment manager.

We do not charge, and we are not reimbursed for, our own overhead or other internal costs, such as employee payroll and benefits, office space and furnishings, travel and entertainment, and telecommunications.

However, in accordance with our internal policies and procedures and the documents governing certain GCM Funds, payments made to independent third-party vendors, consultants or professional advisers that directly support the ongoing management, administration and operations of such GCM Funds (**Third Party Costs**) are borne by such GCM Funds. Third Party Costs may include, among others:

- insurance expenses, which consist primarily of premium payments made to third-party insurance underwriters related primarily to fiduciary liability coverage, errors and omissions coverage, ERISA fidelity bond (if applicable), and directors’ and officers’ liability coverage;
- operational due diligence expenses, which consist primarily of professional fees paid to third-party investigation firms to conduct background investigations on existing and potential Investment Managers;
- technology expenses, which consist primarily of software licensing, development, programming and operating costs paid to third-party vendors to support the operating platforms of the GCM Funds; and
- risk-aggregation reporting expenses, which consist primarily of fees payable to organizations that collect and aggregate exposure data from Portfolio Funds and provide related reports to us in connection with our risk management process.

Third Party Costs, to the extent allocable to the GCM Funds, are generally allocated to them on a *pro rata* basis in accordance with their respective net asset values (except in such cases in which we may decide, in our sole discretion under the terms of the various GCM Funds’ operating agreements, to specially allocate such expenses to a subset of GCM Funds to which such expenses more specifically relate), even though they may not benefit from such expenses on a strictly *pro rata* basis. For example, as noted above, professional fees paid to independent third-party investigation firms to conduct background investigations on existing and potential Investment Managers, to the extent allocable to the GCM Funds, ordinarily are allocated to them on a *pro rata* basis even though they may not invest with particular Investment Managers who are the subject of such background investigations.

All costs and expenses that are directly attributable to a particular GCM Fund or GCM Fund(s) (and not to any other GCM Fund), including the costs of background investigations that are directly attributable to such GCM Fund(s), are charged to that GCM Fund(s) and are not allocated *pro rata* among other GCM Funds in the manner discussed above.

In certain limited cases, we bear all or a portion of the Third Party Costs that otherwise would be borne by a GCM Fund pursuant to the principles discussed above.

### ***Brokerage Expenses***

As discussed in greater detail in Item 12 of this Brochure:

- Except in the very limited case of “secondary market” transactions in interests in Portfolio Funds, when the GCM Funds invest in Portfolio Funds—which typically constitutes their principal business activity—the GCM Funds contract directly with the Portfolio Funds without the involvement of a financial intermediary such as a broker-dealer. Commissions are not payable in connection with such investments.
- To the extent that GCM Funds we manage on a “discretionary” basis purchase or sell investments other than investments in Portfolio Funds, we have the authority to determine the financial intermediaries to be used in connection with such purchases/sales and to negotiate the commissions or other transactional compensation to be paid to such intermediaries in connection with such purchases/sales – which commissions or other compensation are borne by the affected GCM Funds.
- To the extent that GCM Funds we advise on a “non-discretionary” basis engage in transactions in investments other than investments in Portfolio Funds, we do not have the authority to determine the financial intermediaries used in connection with such transactions or to negotiate the commissions or other transactional compensation to be paid to such intermediaries in connection with such transactions, unless the client expressly confers that authority on us and we agree to accept such authority. In all such cases, the commissions or other compensation are borne by the client.
- To the extent that GCM Funds engage in “secondary market” transactions in interests in Portfolio Funds, we generally have limited ability to select the financial intermediaries involved in connection with any proposed transaction or to negotiate the commissions or other transactional compensation to be paid to such intermediaries in connection with such transactions. In general, the number of financial intermediaries active in the hedge fund “secondary market” is small. The commissions charged by such intermediaries may vary significantly from intermediary-to-intermediary, and from transaction-to-transaction.

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

As discussed in greater detail in Item 5 of this Brochure, we accept performance-based fees or other types of performance-based compensation from certain GCM Funds, in addition to or in lieu of other fees. Performance-based compensation is compensation based on a share of either:

- the capital gains on or capital appreciation in the value of the client’s account (which may be subject to a “hurdle,” a “high watermark” and/or a “preferred return”); or
- the outperformance of the client’s account relative to the performance of a particular benchmark, which may be a fixed percentage or based upon a variable index rate.

The receipt of performance-based compensation in connection with managing a GCM Fund rewards us for continuing increases in the value of the assets of such GCM Fund (or the outperformance of such GCM Fund relative to the performance of a particular benchmark) without directly penalizing us for losses (or underperformance relative to a particular benchmark), creating an incentive for us to invest and reinvest the assets of such GCM Fund in a manner that is riskier or more speculative than would otherwise be the case.

In some cases, the GCM Funds issue more than one class of securities, and, in these cases, one or more classes of securities issued by a particular GCM Fund may bear performance-based compensation while one or more other classes of securities issued by GCM Fund do not. In these cases, all investors in such GCM Fund are subject to the risk discussed in the preceding paragraph – not just those investors who invest in classes of securities that bear performance-based compensation – because we manage the assets of such GCM Fund as a single pool of assets.

Similarly, in some cases, two or more “feeder” funds managed or advised by us may invest all or substantially all of their assets in a “master” fund managed or advised by us and, in these cases, one or more of the “feeder” funds that invest in a particular “master” fund may pay performance-based compensation to us while one or more other “feeder” funds that invest in such “master” fund do not. In these cases, all investors in the “feeder” funds are subject to the risk discussed above—not just those investors who invest in the “feeder” funds that bear performance-based compensation—because we manage the assets of such “master” fund as a single pool of assets.

We may have an incentive to allocate what we consider to be the best investment opportunities to GCM Funds from which we receive performance-based compensation—in preference to GCM Funds from which we do not receive performance-based compensation—because we may stand to gain greater compensation from the former types of GCM Funds by allocating the best investment opportunities to them. We have adopted detailed portfolio opportunity allocation policies and procedures that are designed to result in the fair allocation of investment opportunities in Portfolio Funds among all accounts (including our proprietary accounts and accounts of our related persons) for which such opportunities are appropriate and that have the funds available to take advantage of such opportunities. Additionally, Investment Managers of Portfolio Funds may from time to time make us aware of opportunities to co-invest in specific underlying investments (i.e., investments other than investments in Portfolio Funds).

These co-investment opportunities may be allocated at our discretion, including to GCM Funds eligible to invest in such opportunities and/or to investors in GCM Funds.

### Item 7 – Types of Clients

We have three basic types of clients:

Type 1: The GCM Funds.

Some of the GCM Funds are privately offered and are not subject to registration under the ICA.

Others are “open-end” or “closed-end” investment companies that are registered under the ICA and that publicly offer their securities.

Many of the GCM Funds are designed for multiple investors. We refer to these as “multi-investor” GCM Funds.

Others are designed for a single investor (or group of related investors). We refer to these as “customized” or “single-investor” GCM Funds.

Some GCM Funds are “feeder” funds that are designed to invest all or substantially all of their assets in “master” GCM Funds. “Feeder” funds may be “multi-investor” GCM Funds or “single-investor” GCM Funds, and may invest their assets in “master” GCM Funds that are “single-investor” or “multi-investor” GCM Funds.

Type 2: Institutional investors, such as public or private pension plans, that enter into discretionary or non-discretionary investment management agreements, investment advisory agreements or similar agreements with us rather than investing in GCM Funds. The client accounts established under such agreements, like the GCM Funds, invest primarily in underlying hedge funds.

Type 3: Institutional investors that we assist, on a non-discretionary basis, in designing, building and managing their hedge fund investment programs. We typically do not provide continuous and regular supervisory or management services to this type of client.

For purposes of convenience, we sometimes refer to the investment funds and other client accounts that we manage or advise as **GCM Funds**.

We require a minimum initial investment of \$100,000,000 for launching or maintaining a customized GCM Fund, but we may reduce this requirement in our discretion.

We require an investor in a multi-investor GCM Fund (other than a RIC) to invest at least \$5,000,000 in such GCM Fund, but we may waive or reduce this requirement in our discretion.

As discussed above, our clients consist of:

- the GCM Funds that we manage or advise on a discretionary or non-discretionary basis;
- institutional investors that participate in investment accounts that we manage or advise; and
- institutional investors that we assist, on a non-discretionary basis, in designing, building and managing their hedge fund investment programs.

Although investors in the GCM Funds are not, in their capacity as such, our clients, we sometimes refer to those investors as our clients for purposes of convenience.

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

### ***Methods of Analysis***

Our Manager Research and Risk Management Teams perform both quantitative and qualitative analyses in evaluating investment strategies (see “***Investment Strategies***,” below), Investment Managers and Portfolio Funds for inclusion in the GCM Funds.

A description of our strategy due diligence is included in Item 4 under “***Our Investment Process***.”

Quantitative factors considered by our Manager Research and Risk Management Teams in their evaluation of Investment Managers and Portfolio Funds include an assessment, review and analysis of, among other things, an Investment Manager’s performance and risk metrics, both on an absolute basis and relative to various benchmarks and peer groups.

Examples of specific areas of our focus include analyzing:

- performance and risk data in advancing and declining markets
- outliers
- standard deviation and semi-deviation
- peak-to-trough drawdown and recovery period
- beta to relevant indices and in varying market environments
- correlation to other Investment Managers in the strategy

- gross and net invested position
- profit and loss attribution by strategy, geography, longs and shorts
- return on invested capital
- ratio of profitable and unprofitable positions
- portfolio concentration
- portfolio optimization

Qualitative factors considered include a review and assessment of, among other things:

- the skills, commitment and experience of the Investment Manager's key professionals
- the Investment Manager's investment and risk management processes
- the Investment Manager's organizational infrastructure

Our Manager Research Team seeks to identify promising Investment Managers that primarily utilize the investment strategies described below under “*Investment Strategies*.” Although our Manager Research Team uses a number of methods to identify potential Investment Managers, it typically relies upon our extensive network of industry contacts and proprietary database of information developed over many years in connection with managing multi-manager investment funds.

As discussed more fully in this Item 8 under the heading “*Risks and Other Special Considerations*,” investing in securities (including investing in a GCM Fund) involves a risk of loss that investors should be prepared to bear.

### ***Investment Strategies***

We currently manage or advise portfolios that pursue the following investment strategies:

- broadly diversified, multi-strategy;
- global long/short equity;
- U.S. long/short equity;
- global macro;
- commodities;

- global credit (including corporate credit, residential and commercial mortgage credit, and structured credit);
- Asia multi-strategy;
- opportunistic (a blend of several of the above strategies, often with a more aggressive mandate);
- completion (weighted toward strategies under-represented in clients' portfolios);
- hedge fund “seeding,” and
- direct opportunities.

We classify each Portfolio Fund that has been approved by our Investment Committee into specific strategy and sub-strategy categories based upon such Portfolio Fund's primary investment strategy. Our current strategy and sub-strategy categories are as follows:

- Credit Strategies
  - › Long-Biased Credit
  - › Long/Short Credit
  - › Structured Credit
- Relative Value Strategies
  - › Convertible Arbitrage
  - › Statistical Arbitrage
  - › Fixed Income Arbitrage
  - › Option Volatility Arbitrage
  - › Diversified Relative Value
- Multi-Strategy
- Equity Strategies
  - › Long-Biased Hedged Equities
  - › Less-Correlated Hedged Equities
  - › Activists
- Event Driven Strategies
  - › Risk Arbitrage
  - › Diversified Event Driven
- Macro Strategies
  - › Discretionary
  - › Systematic

- Commodities Strategies
  - › Discretionary
  - › Systematic
- Portfolio Hedging Strategies
  - › Dedicated Short Equity
  - › Synthetic Short Equity
  - › Dedicated Short Credit
  - › Tail Risk Protection

Our broadly diversified, multi-strategy portfolios pursue a broad range of the various strategies, listed above and described below. Our global long/short equity portfolios focus primarily on investing and trading in equity securities of both U.S. and non-U.S. issuers, whereas our U.S. long/short equity portfolios focus primarily on investing and trading in equity securities of U.S. issuers (see “Equity Strategies,” below). Our global credit portfolios primarily pursue the types of strategies discussed below under “Credit Strategies.” Our Asia multi-strategy portfolios pursue a broad range of the various strategies discussed below, focused primarily on the Asian markets. While certain portfolios may primarily pursue a single strategy, all portfolios may pursue one or more of the various strategies discussed below. We may from time to time reclassify our strategy classifications without notice to clients, using our reasonable discretion. Further, we may classify a particular Portfolio Fund as pursuing a particular strategy or sub-strategy even though such Portfolio Fund may not invest all of its assets in accordance with such strategy or sub-strategy.

### Credit Strategies

Credit strategies include directional and hedged investments in debt securities, credit derivatives and related instruments. The primary investment approaches include long/short credit, long-biased credit and structured credit. Credit strategies, although diverse, can exhibit highly correlated losses during certain market periods.

*Long-Biased Credit* includes distressed investing, long high-yield credit, and direct lending. Investment Managers assigned to this category typically have a net credit exposure greater than 50% net long.

- *Distressed investing* consists primarily of long and short directional investments in securities of companies that are in various stages of financial difficulty, including investments in stressed and distressed companies. The goal of the strategy is to earn an attractive absolute rate of return through investing in specific events with limited exposure to broad market fluctuations. Investment Managers seek to capitalize on market opportunities resulting from a lack of information, illiquidity, excessive selling pressure, and complexity of capital structures or securities.



- *Long high-yield credit* involves taking long positions in levered loans or high-yield bonds. The positions in this sub-strategy are motivated primarily by fundamental credit views that also may consider technical market factors such as short-term supply/demand imbalances. An Investment Manager may be long an issuing company's credit either by investing directly in bonds or loans or by establishing a synthetic long position through a credit default swap (CDS).
- *Direct lending* investments typically are high-yield loans to stressed or distressed companies that are asset rich but have limited liquidity, and that need quick access to capital to refinance other debt, prevent a covenant default or exploit an opportunity. The Investment Manager directly originates these loans, which typically include relatively high coupons and generous structuring fees. In order to compensate for the less liquid nature of the instruments and other inherent risks of direct lending, direct financing arrangements often will be collateralized with assets, include restrictive covenants and provide upside equity participation.

*Structured credit* consists of positions in residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities, and corporate credit-related structured credit instruments such as collateralized debt obligations (CDO). Trade selection is based on fundamental analysis of the underlying assets as well as structural analysis of the structured credit vehicle, including such vehicle's cash flow "waterfall."

*Long/Short Credit* includes long/short credit, correlation trades and credit volatility arbitrage.

- *Long/short credit* involves taking long and short positions that reflect relative-value views between, or among, different credits, groups of credits, sectors or indices. The positions in this sub-strategy typically are motivated by fundamental credit views with an appreciation for market technicals. One example of a long/short credit trade is a pairs trade in which the Investment Manager may be long a company's CDS and short a competitor's CDS. Not all positions entail related credits; for example, an Investment Manager may construct a portfolio that is long a basket of telecom credits via a CDS and short a basket of financial services credits via a CDS.
- *Correlation trades* involve arbitraging perceived mispricings in baskets or portfolios of credits versus the individual components of the basket, an index or a highly-correlated derivative of the basket. Frequently, the trade is structured to be neutral to credit spread movements in the broad market. The securities used in the arbitrage may include CDOs, synthetic CDOs, bespoke CDS baskets, credit indices, and individual CDSs. Synthetic CDOs are similar to CDOs, except that the credits are included in the pool via CDS contracts instead of cash bonds. Bespoke CDS baskets represent a collection of credits that are selected individually to create a customized hedge of specific portfolio risks. These instruments are less liquid due to their customized nature.

- *Credit volatility arbitrage* typically involves buying and selling options on credit spreads of individual companies or on traded indices. An Investment Manager also may buy and sell volatility across various asset classes. For example, an Investment Manager may sell volatility via options on credit spreads and buy volatility on the same company via the equity markets.

### Relative Value Strategies

Relative value strategies include convertible arbitrage, statistical arbitrage, fixed income arbitrage, and option volatility arbitrage.

#### *Convertible Arbitrage*

Convertible arbitrage strategies include a variety of strategies involving investments in convertible securities that Investment Managers perceive to be undervalued from a fundamental or volatility perspective. The primary convertible arbitrage strategies include, but are not limited to: long volatility/gamma trading, catalyst/event driven investing, credit sensitive investing and activist investing. In general, a position in each particular strategy involves taking a long position in convertible bonds or convertible preferred shares and short positions in the underlying common stock into which the convertible securities are exchangeable, in order to isolate the aspect of the security that the Investment Manager believes is mispriced and largely eliminate the effect of directional moves in the underlying stock price.

Long volatility/gamma trading primarily involves taking positions where the Investment Manager perceives that the volatility level of the underlying security implied by the price of the convertible security is too low relative to historical or expected future volatility of the security. The Investment Manager typically will fully hedge the long convertible position by shorting the appropriate amount of the underlying security and generally will make a profit if the underlying security exhibits high volatility. In the trades, the Investment Manager typically seeks to hedge interest rate and credit risk by using interest rate futures or swaps and credit derivatives.

Catalyst/event driven investing involves taking positions where the Investment Manager expects that a catalyst or event will cause the implied volatility of the convertible bonds or the actual volatility of stock price changes to increase. Such catalysts may include new product announcements, litigation, management changes, or regulatory approval of a new drug. The Investment Manager typically will seek to hedge interest rate and credit risk by using interest rate futures or swaps and credit derivatives.

Credit sensitive investing involves taking positions where the Investment Manager expects that the financial condition of the underlying company will improve and credit spreads of the convertible bond will narrow. Such a view may be based on improved trends in earnings, refinancing of existing debt or the selling of assets. The credit risk of such a position typically will be largely unhedged.

Activist investing relies on the ability of a manager with a significant economic stake in the equity, debt, convertible bond or other instruments of a company to influence management and corporate decisions in such a way as to increase the value of the holdings. Examples include seeking management changes, selling business units, securing special dividends and influencing financial restructurings.

#### *Statistical Arbitrage*

Statistical arbitrage is a strategy that seeks to exploit temporary price disparities among equity securities that historically have maintained stable price relationships. The strategy uses quantitative models to determine which securities to purchase and which to sell short and to measure market exposure. Often, these models rely upon fundamental balance sheet and income statement data such as: earnings yield, dividend yield, revisions in earnings forecasts, relationships between market capitalization, revenues and net asset values, earnings forecasts and price histories. Other approaches utilize factor analysis to measure factor risks and relative attractiveness. Investment Managers that employ the strategy purchase and sell securities in relative quantities in a manner designed to result in an aggregate portfolio that is typically neutral to broad equity market movements and/or to exposure across sectors, investment style and market capitalization.

#### *Fixed Income Arbitrage*

Fixed income arbitrage includes a variety of strategies involving investments in fixed income instruments that are weighted in an attempt to eliminate or reduce exposure to changes in the level of interest rates. These strategies attempt to exploit relative perceived mispricings (*i.e.*, anomalous yield differences) between related sets of fixed income securities. The generic types of fixed income arbitrage trades include the following: yield curve arbitrage, swap spreads versus government yield spreads, cash versus futures basis trades, and U.S. government agency debt versus US Treasuries.

#### *Option Volatility Arbitrage*

Option volatility arbitrage strategies trade volatility as an asset class. Exposures may be long, short, or neutral to the direction of implied volatility. Option volatility arbitrage strategies may be either directional or relative value in nature – specifically, directional volatility arbitrage strategies seek to express a view on the likely trend of implied volatility across various asset classes including equities, foreign exchange, interest rates, and commodities, whereas relative value volatility arbitrage strategies seek to exploit mispricings between multiple options or instruments containing implied volatility. Option volatility arbitrage managers typically invest in liquid instruments including options and variance swaps.

### Multi-Strategy

Multi-strategy investment involves the combination of one or more of the strategies described herein in an effort to reduce volatility and mitigate strategy and market risks.

### Equity Strategies

Equity strategies involve the purchase and/or short sale of equity and equity-linked instruments in global markets. An equity Investment Manager may focus on a particular capitalization range (*e.g.*, small cap vs. large cap) or a particular industry sector (*e.g.*, healthcare, technology, or consumer), may employ a specific investment style (*e.g.*, value vs. growth) or may pursue a broad mandate, investing in securities without specific regard for their issuers' capitalization, sector or geography. Some Investment Managers may employ an activist approach whereby they attempt to influence company management to take specific measures to maximize shareholder value, while others may utilize "top-down" macroeconomic analysis to guide capital-allocation strategies and fundamental security selection. An equity Investment Manager typically seeks to capitalize on discrepancies between such Investment Manager's own evaluation of the intrinsic value of an equity security and assessment of the forward-looking prospects of the issuer of such security, on the one hand, and the consensus view reflected in the market price of such security, on the other hand. Some Investment Managers also may seek to extract value by being more trading-oriented or catalyst-driven.

To the extent the GCM Funds invest with equity Investment Managers, we focus and expect to continue to focus on Investment Managers that primarily employ "hedged equity" investment strategies. A hedged equity Investment Manager typically implements its particular investment strategy by establishing long and short positions in equity or equity-linked instruments. However, although most hedged equity Investment Managers focus on establishing both long and short positions, some of these Investment Managers may focus exclusively on establishing long or short positions. In addition to selling securities short, an equity Investment Manager may seek to hedge portfolio exposure by using instruments such as exchange-traded funds, equity-linked options, index options and futures. An equity Investment Manager also may seek to manage risk by adopting "top-down" constraints on leverage, limits on net market exposure, net regional exposure and net sector exposure, position size limits, position stop-loss limits and parameters relating to the number of its positions.

### Event Driven Strategies

Event driven strategies include investing in spin-offs, stub-trades, post-restructuring equities, post-bankruptcy equities, risk (merger) arbitrage, litigation equity trades and recapitalizations. A post-restructuring equity investment involves purchasing the equity of a company that has completed a recent restructuring, most commonly as part of a bankruptcy plan. Spin-offs are subsidiaries of large public companies that are distributed to shareholders as a means of enhancing shareholder value.

Risk arbitrage is a strategy that seeks to capitalize on perceived pricing discrepancies, or "spreads," in the equity securities of two companies involved in announced corporate transactions, such as mergers, tender or exchange offers, reorganizations, liquidations and recapitalizations. For merger transactions,

the strategy typically entails buying the security of the company being acquired, while simultaneously selling short the security of the acquirer. When a merger deal is pending, uncertainty about the outcome typically creates a pricing disparity; the stock of the target company typically sells at a discount to the expected acquisition price.

Investment Managers investing in merger arbitrage seek to capture the spread between the current stock price and the price upon the completion of the deal. In a cash/tender transaction, the Investment Manager seeks to capture the spread between the tender price and the price at which the target company's stock is trading.

### Macro Strategies

Global macro includes a variety of strategies involving investments based on analysis, expectations, and forecasts of macroeconomic trends; government and central bank policies; various macroeconomic and/or geopolitical events; and overall themes impacting regions, countries, sectors, or specific companies and the resulting impact on global capital markets. Specifically, trades within these strategies are typically based on analysis of broad systematic factors including: governmental and central bank policies; political changes; deficit trends; trade imbalances; interest rate trends; commodity price trends; global investor sentiment; and inter-country government relations. Global macro strategies may be discretionary in nature based on fundamental research regarding the above factors or may be systematically driven by models based on available fundamental macroeconomic and/or price data.

### Commodity Strategies

Investing in commodities includes a variety of strategies involving investments based on the evaluation of market data and relationships as they pertain to commodity markets, including energy, agriculture, resources and metals. Managers pursuing these strategies analyze a number of factors including: supply and demand; legislative and environmental policy changes; trends in growth rates and resource consumption; changes in global monetary and trade policy; geopolitical events; and technical factors. Commodity strategies may be discretionary in nature based on fundamental research regarding the above factors or may be systematically driven by models based either on available fundamental macroeconomic and/or price data, or technical factors.

We consider and evaluate commodity investment managers that perform fundamental research and make discretionary trading decisions as well as managers that employ systematic investment processes designed to make investment decisions based on mathematical, algorithmic or technical models. Commodity investment managers generally seek to anticipate changes in market fundamentals and prices or identify situations where prices do not properly reflect fundamentals. Systematic programs often include momentum-based and other algorithmic trading systems. Commodity strategies may be long/short, directional, relative value, spread or volatility oriented. Commodity investment managers typically invest in liquid instruments including exchange traded futures and options.

### Portfolio Hedging Strategies

If conditions warrant, we employ four primary hedging strategies: dedicated short equity, synthetic short equity, dedicated short credit, and tail risk protection. Each of these strategies are described in more detail below.

#### *Dedicated Short Equity*

Short equity strategies involve the short sale of equity and equity-linked instruments in global markets that would profit in the event of a decrease in the price of such securities. A dedicated short equity Investment Manager may focus on a particular capitalization range (*e.g.*, small cap vs. large cap) or a particular industry sector (*e.g.*, healthcare, technology, or consumer), may employ a specific investment style or may pursue a broad mandate (*i.e.*, selling securities short without specific regard for their issuers' capitalization, sector or geography). Some Investment Managers may employ a "top-down" macroeconomic analysis to guide their capital-allocation strategies and/or fundamental security selection. Investment Managers that pursue this strategy typically seek to capitalize on discrepancies between such Investment Manager's own evaluation of the intrinsic value of an equity security and assessment of the forward-looking prospects of the issuer of such security, on the one hand, and the consensus view reflected in the market price of such security, on the other hand. Some Investment Managers also may seek to extract value by being more trading-oriented or catalyst-driven.

#### *Synthetic Short Equity*

Synthetic short equity strategies involve constructing trades that are designed to synthetically "recreate" the return profile obtained from the short sale of equity and equity-linked instruments in global markets in the event of a decrease in the price of such securities. Investment managers that follow a synthetic short equity strategy may use convertible bonds, single name equity options, index equity options, or other derivatives to simulate the payoff of a short stock position. One example of a synthetic short equity trade would be to sell equity call options and use the proceeds to purchase equity put options on the same underlying stock and with the same expiration date.

#### *Dedicated Short Credit*

Dedicated short credit involves shorting individual investment-grade or high-yield credits that exhibit either perceived anomalous pricing relative to similar credits or perceived weakening fundamentals with a high probability of credit deterioration. The short position typically is established using a CDS. In addition to using a single name CDS to short specific issuers, an Investment Manager also may use specific indices, such as the Dow Jones CDX suite of index products, to short the overall investment-grade market or specific sectors.



### *Tail Risk Protection*

Tail risk protection strategies are portfolio hedging strategies that are designed to provide convex payoffs during extreme market crises. Tail risk protection strategies generally invest in highly liquid financial derivatives and other securities that are expected to be profitable when global capital markets decline precipitously and volatility rises sharply. The generic types of tail risk protection trades include, but are not limited to, the following: equity index puts and put spreads at various strike points, credit index protection positions at various strike points, volatility based securities such as variance swaps and Chicago Board of Trade Volatility Index options, directional currency positions, and directional commodity positions. While tail risk strategies are expected to provide positive returns when global capital markets decline significantly, they are a form of portfolio “insurance” and, as such, are expected to perform poorly (and could potentially lose all or substantially all capital allocated to them) when global capital markets are stable or upward-trending while providing positive returns when global capital markets decline significantly.

### *Risks and Other Special Considerations*

An investment in a GCM Fund is speculative and involves substantial risk (including the possible loss of the entire amount invested) due to, among other factors:

- the nature of our investment program;
- the significant continuing uncertainty in the global financial markets;
- significant fees and costs—including advisory, transaction and opportunity costs—associated with an investment in a GCM Fund; and
- the restrictions applicable to withdrawals/redemptions from a GCM Fund, as well as a GCM Fund’s dependence on its ability to withdraw/redeem capital from Portfolio Funds in order to satisfy withdrawal/redemption requests from its investors.

**There can be no assurance that any GCM Fund will achieve its investment objectives or avoid significant losses. Past performance is not necessarily indicative of future results, and the performance of the GCM Funds could be volatile.**

You should not invest in a GCM Fund unless you have no need for liquidity with respect to the investment, you are fully able to bear the financial risks of the investment for an indefinite period of time and you are fully able to sustain the possible loss of the entire investment. You should consider an investment in a GCM Fund as a long-term investment that is appropriate only for a limited portion of your overall portfolio.

Each GCM Fund invests (directly or through investing in a “master” fund) substantially all of its assets in Portfolio Funds managed by Investment Managers. Set forth below are the general categories of risk that



apply to investing in the GCM Funds. These risks are discussed in greater detail in the relevant GCM Fund's current confidential offering or risk disclosure document. Certain of these risks may be exacerbated in the case of "single-strategy" (as opposed to "multi-strategy") GCM Funds.

Market Risks – generally, the risks that economic and market conditions and factors may materially adversely affect the value of a GCM Fund's investments.

Strategy Risks – generally, the risks associated with: (i) the possible failure of GCM's asset allocation methodology, including the possible failure of a multi-Portfolio Fund approach; (ii) the possible failure of the investment strategies, techniques and practices employed by one or more Investment Managers; (iii) possible inefficient or inaccurate trade execution by Portfolio Funds; and (iv) GCM's inability to gauge (due to limited position-level transparency and unanticipated results) and react (due to the Portfolio Funds' restrictive withdrawal/redemption provisions) on a "real time" basis to specific strategy-related and/or position-level risks associated with positions held by the Portfolio Funds in which a GCM Fund invests. In addition to the inherent opportunity costs of allocating assets across different strategies (which are, among other things, likely to have periods of offsetting profits and losses), to the extent GCM engages in the active allocation of the assets of a GCM Fund from time to time among different Portfolio Funds, there can be no assurance that: (i) such strategy will not be more volatile than, or will not underperform, either or both an investment in a single Portfolio Fund or a static allocation among a fixed group of Portfolio Funds; (ii) an investment strategy that has been profitable in the past will not incur material losses in the future; or (iii) GCM will not allocate assets to Portfolio Funds that are entering into unprofitable cycles and away from those entering into profitable cycles. As a "fund of funds," each GCM Fund is subject to the risks associated with the investment strategies and investment techniques employed by the Investment Managers. The Investment Managers may not be successful in attempting to generate profits or avoid losses. Portfolio Funds employing alternative investment strategies are subject to a "risk of total loss"—the risk that a previously low volatility and apparently comparatively low risk strategy will incur sudden and dramatic losses—at a level of severity to which investment funds employing traditional strategies (which may be less dependent on the availability of financing or market liquidity) may not be subject. Strategy-specific losses may result from any number of factors, including excessive concentration by multiple Investment Managers in the same investment and/or market sector, general market events or conditions that adversely affect particular strategies (*e.g.*, illiquidity within a given market), faulty assumptions or analysis concerning market events or conditions and faulty or incomplete "due diligence" regarding particular markets or investments. The governing documents of Portfolio Funds typically do not impose any meaningful restrictions on the manner in which the Investment Managers of such Portfolio Funds may invest and trade, and often permit the Investment Managers to invest and trade in essentially an unrestricted range of strategies and securities. Investment Managers of Portfolio Funds in which a GCM Fund invests may employ substantial amounts of leverage (*e.g.*, leverage exceeding 5x as measured by notional long market value as a percentage of capital) as well as engage in other specialized investment techniques and practices. These techniques and practices include, but are not limited to, use of derivatives, short selling, hedging, securities lending, use of models and trend-following. These techniques may increase the opportunities for gain, but also may substantially increase the risks of volatility and loss. A GCM Fund may invest in Portfolio Funds that are domiciled in and/or managed from non-U.S. jurisdictions. In addition, Investment Managers may invest in non-U.S. companies and/or trade in non-U.S. markets. Investing and trading in securities of non-U.S. governments and companies

may involve certain considerations not usually associated with investing and trading in securities issued by the U.S. government or by U.S. companies.

Manager Risks – generally, the risks associated with a GCM Fund’s investments with Investment Managers, including: (i) the fact that an Investment Manager’s past performance is not necessarily indicative of future results; (ii) an Investment Manager’s dependence on a strictly limited number of key professionals; (iii) significant structural changes in an Investment Manager’s operations; (iv) fraud or misrepresentation on the part of an Investment Manager or its personnel; (v) an Investment Manager’s failure to comply with applicable legal, registration, tax or regulatory requirements; (vi) human error and/or poor judgment on the part of an Investment Manager’s personnel; and (vii) systems malfunctions and other operational failures.

Manager Investment Risks – generally, the risks associated with investments in revenue share/equity interests in Investment Managers. To the extent a GCM Fund invests in revenue share/equity interests in Investment Managers, such GCM Fund would be subject to significant additional risks as such investments involve substantial business and financial risks that can result in significant losses. Risks involved in such investments include risks associated with investments in businesses in an early stage of development or with little or no operating history. These risks may be greater than would be the case if a GCM Fund invested primarily with “seasoned” Investment Managers. A GCM Fund’s control over the investment policies of an Investment Manager may be limited, but such rights could expose the assets of a GCM Fund to claims by Investment Managers, their other equity holders or their creditors. Investments in Investment Managers (in addition to Portfolio Funds) also may subject GCM and its related persons to certain actual and potential conflicts of interest in making investment decisions for a GCM Fund in addition to those that it would be subject to if such GCM Fund exclusively invested in Portfolio Funds.

Structural Risks – generally, the risks arising from the organizational structure as well as the operative terms of the relevant GCM Fund and the Portfolio Funds in which such GCM Fund invests, including investor liquidity restrictions. The operative terms of the Portfolio Funds in which a GCM Fund invests are necessarily reflected in the operative terms of such GCM Fund. There are material restrictions on transferring interests in, as well as on redeeming/withdrawing capital from, GCM Funds, as set forth in the relevant GCM Fund’s governing documents. No secondary market exists for shares or other interests in any GCM Fund and none is likely to develop. Further, the complicated and often protracted process of withdrawing/redeeming from Portfolio Funds could limit a GCM Fund’s ability to meet withdrawal/redemption requests from the investors in such GCM Fund. Each GCM Fund is subject to management/advisory fees and other costs and expenses, regardless of whether it realizes any profits, and will have to earn substantial profits to avoid depletion of its assets due to such fees, costs and expenses. As a “fund of funds,” each GCM Fund bears its allocable share of the costs and expenses of the Portfolio Funds in which it invests (including its allocable share of the Portfolio Funds’ respective organizational, offering, investment and operating expenses, including taxes, interest due on borrowings, brokerage costs, the fees, expenses and performance compensation of the Investment Managers and any extraordinary costs incurred). Each GCM Fund is thus subject to a “layering” of fees and a potentially higher expense ratio than would be associated with an investment in an investment fund that invests and trades directly in financial instruments under the direction of a single investment manager.

Valuation Risks – generally, the risks relating to GCM’s reliance on Investment Managers to accurately value the financial instruments in which Portfolio Funds they manage invest in accordance with agreed-upon standards (which are most commonly defined by Accounting Standards Generally Accepted in the United States (US GAAP) or International Financial Reporting Standards (IFRS)) and procedures, including the risks that: (i) a GCM Fund, as an investor in a Portfolio Fund, could suffer economic dilution if the “fair value” of certain of such Portfolio Fund’s investments differs from the actual or realizable value of such investments; (ii) the economic dilution caused by the “fair value” or actual or realizable value disparity at the Portfolio Fund level may be magnified at the level of the GCM Fund invested in such Portfolio Fund due to such GCM Fund’s investing in numerous Portfolio Funds; (iii) Investment Managers have an incentive to overvalue financial instruments held by the Portfolio Funds they manage for a number of reasons, including in order to increase their management fees and performance/incentive fees as well as enhance the apparent performance of such Portfolio Funds; and (iv) Investment Managers have an incentive to undervalue less liquid assets for a number of reasons, including in order to discourage withdrawals/redemptions.

Operational Risks – generally, the risks arising from the day-to-day management of multi-investor investment vehicles. In certain cases, GCM Funds are multi-investor investment vehicles, and in most cases, the Portfolio Funds in which GCM Funds invest are multi-investor investment vehicles.

Institutional Risks – generally, the risks that a GCM Fund could incur losses due to: (i) the failure of counterparties to perform their contractual commitments to such GCM Fund or to the Portfolio Funds in which such GCM Fund invests; (ii) the financial difficulties, fraud or misrepresentation of brokerage firms, banks or other financial institutions that hold assets of such GCM Fund or of the Portfolio Funds in which such GCM Fund invests; (iv) the failure of exchanges and clearinghouses; (v) suspensions of trading; and (vi) counterparties holding assets in unregulated rather than regulated accounts.

Regulatory Risks – generally, the risks associated with: (i) no regulatory approval or recommendation of GCM or any Investment Manager; (ii) investing both in unregulated entities and in securities sold in unregistered offerings; (iii) GCM, Grosvenor Securities LLC (a broker-dealer affiliated with GCM), the GCM Funds, the Investment Managers and the Portfolio Funds operating in a changing regulatory environment, including the risks of regulatory inquiries, new legislation, new regulations and government intervention; (iv) a GCM Fund needing to comply with numerous regulations restricting its offering procedures; and (v) being subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**) (in the case of certain GCM Funds). Except in the case of GCM Funds that are registered as investment companies under the ICA, the GCM Funds are not required to register as “investment companies” under or to comply with the substantive provisions of the ICA. As such, investors in these GCM Funds will not receive the protection of such laws. If a GCM Fund were registered as an investment company under the ICA, the ICA would require, among other things, that such GCM Fund have a board of directors comprised in significant part of “independent” directors, would compel the use of certain custodial arrangements, and would regulate such GCM Fund’s relationships and transactions with GCM and its related persons. Compliance with certain of such provisions could reduce certain risks to which an investor is exposed.

**Tax Risks** – generally, the tax risks and special tax considerations arising from the operation of multi-investor investment vehicles. In certain cases, GCM Funds are multi-investor investment vehicles, and in most cases, the Portfolio Funds in which GCM Funds invest are multi-investor investment vehicles. Among other things, many GCM Funds that are organized as partnerships for U.S. federal income tax purposes are not expected to be able to complete and file their partnership income tax returns for any year or deliver Schedule K-1s for the year to their investors until they have received Schedule K-1s or similar tax information for that year from the Portfolio Funds in which they invest and have received other necessary information from the Investment Managers of such Portfolio Funds. Because a large number of the Portfolio Funds in which such GCM Funds invest are calendar year taxpayers, and the time needed for preparation of income tax returns, it is highly unlikely that such GCM Funds will be able to send Schedule K-1s to their investors in time for them to file their income tax returns by the original due date. Thus, it will likely be necessary for such investors to obtain extensions of the filing date for their returns for each year.

In addition, we and our related persons are subject to certain actual and potential conflicts of interest in making investment decisions for the GCM Funds, and the Investment Managers are subject to similar as well as certain additional actual and potential conflicts of interest in managing their respective Portfolio Funds. Certain of these actual and potential conflicts of interest are discussed elsewhere in this Brochure. Others are discussed in the current confidential offering or risk disclosure document provided to each prospective investor in a particular GCM Fund and/or in the document entitled “*Grosvenor Capital Management, L.P. – Supplemental Disclosures Regarding Conflicts of Interest*,” a copy of which is available from us upon request.

## **Item 9 – Disciplinary Information**

We are required to disclose to you all legal and disciplinary events relating to us or to our personnel that are material to your evaluation of our advisory business or the integrity of our management.

To the best of our knowledge, there are not currently (nor have there been in the past) any legal and disciplinary events relating to us or our personnel that are material to your evaluation of our advisory business or the integrity of our management.

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

### ***Affiliated Registered Investment Adviser***

We are under common control with GCM Customized Fund Investment Group, L.P. (**CFIG**), an investment adviser registered as such with the SEC. CFIG is the successor entity to the Customized Fund Investment Group, which, from 1999 to January 2, 2014, was a business unit within the asset management division of Credit Suisse Group AG (**Credit Suisse**). On January 2, 2014, our parent company and CFIG acquired certain assets associated with the Customized Fund Investment Group from affiliates of Credit Suisse.

As affiliates, we and CFGI share certain common resources, including common offices, services, human resources, information technology and legal and compliance departmental resources. However, CFGI is under no obligation to identify or make available to us or our clients any investment opportunities that CFGI identifies, and we are under no obligation to identify or make available to CFGI or its clients any investment opportunities that we identify.

### ***Affiliated Investment Managers***

Our affiliate, GCM Investments UK LLP (**GCM UK**), is located in London and may provide certain services to us and CFGI. GCM UK seeks to obtain information on and access to UK- and European-based investment managers and to furnish us and CFGI advice with respect to such managers. In addition, employees of GCM UK meet with our and CFGI's existing and prospective clients in the UK and Europe and provide assistance to our and CFGI's employees when they are present in the UK. GCM UK is authorized and regulated by the UK Financial Conduct Authority to provide investment advisory and arranging services to professional investors. As compensation for the services GCM UK performs, we and CFGI pay GCM UK a service fee based on a percentage mark-up over the cost of providing such services.

GCM UK has an incentive to introduce our and CFGI's products to GCM UK's clients, because additional investments in such products will result in additional investment management/advisory fees for us or CFGI, as the case may be. In cases where GCM UK provides investment advisory or arranging services to professional investors, such professional investors will be informed of the affiliation between us, on the one hand, and GCM UK, on the other, and thus will be made aware of this incentive prior to the time they invest in a GCM Fund.

Our affiliate, GCM Investments Hong Kong Limited (**GCM HK**), is located in Hong Kong. It seeks to obtain information on and access to Asia-based investment managers and may provide us and CFGI advice with respect to such managers. In addition, employees of GCM HK provide assistance to our and CFGI's employees when they are traveling in Asia. As compensation for the services GCM HK performs, we and CFGI pay GCM HK a service fee based on a percentage mark-up over the cost of providing such services.

### ***Affiliated Placement Agents/Distributor***

Our affiliate, Grosvenor Securities LLC (**GCM Securities**), serves as placement agent or distributor for certain GCM Funds and certain investment vehicles managed or advised by CFGI (**CFGI Funds**).

GCM Securities, a Delaware limited liability company of which we are the sole common member, is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (**Exchange Act**) and is a member of the Financial Industry Regulatory Authority, Inc.

GCM Securities' sole functions are to:

- act as a private placement agent for certain GCM Funds and certain CFGI Funds;
- serve as principal underwriter for "open-end" RICs sponsored and advised by us;



- provide wholesaling and distribution services to “open-end” RICs sponsored and advised by us;
- serve as the primary distributor for “closed-end” RICs sponsored and advised by us;
- provide wholesaling and distribution services to “closed-end” RICs sponsored and advised or managed by us; and
- provide certain support services to third-party selling agents that market the RICs.

Pursuant to a Master Placement Agent Agreement, we and CFGI compensate Grosvenor Securities on a flat annual fee basis for the placement agent/distribution services provided by Grosvenor Securities, regardless of the success of Grosvenor Securities’ services. Grosvenor Securities has no employees. However, certain of our employees, including many of our executive-level employees, are registered as representatives of Grosvenor Securities so that they may engage in private placement activities on behalf of certain GCM Funds. We are exclusively responsible for compensating such employees, and neither we nor Grosvenor Securities pays any sales commissions to any of such employees in connection with the private placement activities they perform on behalf of the GCM Funds.

GCM Investments Japan K.K. (**GCM Japan**), a Japanese limited liability stock company of which we are the sole shareholder, is registered as a securities company in Japan with the Kanto Local Finance Bureau. GCM Japan may act as placement agent for certain GCM Funds that are privately offered in Japan to Japanese investors, may provide ongoing services to Japanese investors in such GCM Funds and may provide research services to us. We may compensate GCM Japan for such placement agent services with an asset based fee and may compensate GCM Japan for ongoing client and research services based on a percentage mark-up over the cost of providing such services. GCM Japan is exclusively responsible for compensating its employees, and neither we nor GCM Japan pays any sales commissions to such employees in connection with the private placement activities they perform.

GCM Japan also may act as a discretionary investment manager on behalf of clients in Japan and, in that connection, may allocate client assets to one or more GCM Funds.

Grosvenor Securities and GCM Japan have an incentive to introduce our and CFGI’s products to prospective investors, because additional investments in such products will result in additional investment management/advisory fees for us or CFGI. However, all prospective investors are informed of the affiliation between us, on the one hand, and Grosvenor Securities or GCM Japan, on the other (as applicable under the circumstances), and are thus aware of this incentive prior to the time they invest funds in a GCM Fund.

### ***Non-Affiliated Placement Agents***

We may from time to time engage non-affiliated placement, distribution or similar agents to assist us in marketing interests in our investment products. If you acquire any of our investment products as a result of a recommendation made by any such placement, distribution or similar agent, you should not view such recommendation as being disinterested, as we generally will pay the agent for the introduction. Also, you should regard such an agent as having an incentive to recommend that you retain your interest in our investment products, since such agent may be paid a portion of our fees for all periods during which you do so.

### ***Investments by GCM Funds in Other GCM Funds***

As discussed in greater detail in Item 7 of this Brochure, our investment management/advisory clients include:

- GCM Funds;
- institutional investors that participate in investment accounts that we manage or advise; and
- institutional investors that we assist, on a non-discretionary basis, in designing, building and managing their hedge fund investment programs.

Investors in the GCM Funds are not, in their capacity as such, our clients (although we sometimes refer to those investors as “clients” for purposes of convenience). Accordingly, except as set forth in the following paragraph, although we (through our affiliated broker-dealers) solicit prospective *investors* to invest in GCM Funds, we do not solicit our *clients* to invest in GCM Funds.

We may from time to time cause a GCM Fund (or recommend to a GCM Fund that we advise that it invest) assets in another GCM Fund. Similarly, we may from time cause an investment account that we manage to invest (or recommend to the participant in an investment account that we advise that such investment account invest) in a GCM Fund. In each case, we do so only if:

- such investments are consistent with applicable regulatory requirements; and
- such investments have been disclosed to investors/participants in the investment funds and investment accounts involved (if such disclosure is material under the particular facts and circumstances), or such investments are made on a basis that does not involve the payment of an additional fee to us.

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

#### ***Code of Ethics***

We have adopted a Personal Investment and Trading Policy, Statement on Insider Trading and Code of Ethics pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 under the ICA (our **Code of Ethics**).

Our Code of Ethics is designed to ensure, among other things, that we and our related persons do not violate our fiduciary duties to any client or federal securities laws, rules or regulations in connection with:

- performing investment management and investment advisory services for clients; and



- acquiring or disposing of investments on behalf of clients.

Our personnel have four basic types of obligations under the Code of Ethics:

- (1) to act consistently with our fiduciary duties to our clients;
- (2) to refrain from engaging in certain types of prohibited transactions;
- (3) to obtain pre-clearance from us in connection with certain types of activities and transactions (**Pre-Clearance Transactions**), including (under certain circumstances) investments in securities issued in private placements or in initial public offerings); and
- (4) to submit certain reports to us.

Our Trading Policy Compliance Officer or Trading Policy Compliance Committee, as the case may be, may disapprove an employee's request to engage in a Pre-Clearance Transaction (or revoke approval of a previously approved Pre-Clearance Transaction) if he, she or it, as the case may be, determines that:

- such employee is delinquent in filing reports required to be filed by such employee pursuant to the Code of Ethics;
- such transaction or activity is a prohibited transaction under the Code of Ethics or otherwise conflicts with the terms and conditions of the Code of Ethics;
- such employee may unfairly benefit from such transaction or activity at the expense of any of our clients;
- such employee may benefit from such transaction or activity as a result of information that is proprietary to us or any of our clients;
- such transaction or activity involves, or appears to involve, a conflict between the interests of such employee or us, on the one hand, and those of any of our clients, on the other hand; or
- such transaction or activity involves undue litigation, regulatory, enforcement or reputational risk to us.

In applying the foregoing criteria, our Trading Policy Compliance Officer or Trading Policy Compliance Committee may take such facts and circumstances into account as he, she or it (as the case may be) determines to be appropriate.

We will provide you a copy of our Code of Ethics upon your request.

***Our Ability To Invest in the Same Securities in which the GCM Funds Invest***

We and/or our related persons may invest in GCM Funds for our own accounts alongside investors who are not related to us. When we do so, we and/or our related persons participate in the investment opportunities in which such GCM Funds participate, alongside the other investors in such GCM Funds.

In addition, we and/or our related persons may place assets under the management of (or otherwise procure investment advisory or investment management services from) any Investment Manager directly or indirectly used by one or more GCM Funds. For example, we and/or our related persons may invest in a Portfolio Fund in which one or more GCM Funds invest. Further, we and/or our related persons may invest in a Portfolio Fund at or about the same time one or more GCM Funds invest in such Portfolio Fund.

We, our related persons and one or more GCM Funds that place assets under the management of, or otherwise procure investment advisory or investment management services from, any Investment Manager directly or indirectly used by one or more other GCM Funds may do so on terms (including terms relating to fees, liquidity and transparency) that are the same as or more advantageous than those applicable to the investments that may be made by such other GCM Fund(s) with such Investment Manager. To the extent that we and/or our related persons invest with a given Investment Manager on terms that are more advantageous than those on one or more GCM Funds may invest with such Investment Manager, we and/or our related persons may have an incentive to maintain or increase the investment by such GCM Fund(s) with such Investment Manager in order to obtain and/or maintain such advantageous terms for the benefit of us and/or our related persons.

In certain cases, a Portfolio Fund may have what we refer to as “limited capacity.” A Portfolio Fund has “limited capacity” when it is not willing to accept all capital that the GCM Funds, we and/or our related persons wish to invest in such Portfolio Fund. If we and/or our related persons wish to invest in such a Portfolio Fund at a time when an investment in such Portfolio Fund is appropriate for one or more GCM Funds, we have a conflict of interest because we have a financial incentive to allocate the opportunity to the greatest extent possible to us and/or our related persons. In order to avoid this conflict, we may determine in certain cases that we and/or our related persons will not directly participate in a Portfolio Fund that has “limited capacity” unless and until all GCM Funds that wish to invest in such Portfolio Fund (including, for this purpose, GCM Funds in which we and/or our related persons participate) have invested the full amount of capital they wish to invest in such Portfolio Fund.

In other cases, we employ policies and procedures for allocating limited investment opportunities in a manner that we believe to be equitable to the GCM Funds, us and our related persons. Under these policies and procedures, to the extent that one or more GCM Funds, we and/or our related persons (each of the foregoing, a **Participating Account**) wish to invest in a particular Portfolio Fund (and have funds available to make such investment) but such Portfolio Fund has “limited capacity” and is willing to accept only a portion of the aggregate investment that the Participating Accounts wish to make, the aggregate capacity made available by such Portfolio Fund to the Participating Accounts generally is allocated to each Participating Account in the proportion that the amount such Participating Account wishes to invest

in such Portfolio Fund bears to the aggregate amount that all Participating Accounts wish to invest in such Portfolio Fund (determined in most cases by reference to the Target Allocations established by our Investment Committee), subject to the investment guidelines and constraints applicable to such Participating Account and to certain limited exceptions set forth in such policies and procedures. In cases where we advise GCM Funds or other client accounts on a non-discretionary basis, we may require investors/participants in such GCM Funds or other client accounts to reduce the amounts they otherwise might wish to invest in a particular Portfolio Fund, in order to preserve investment capacity for GCM Funds and client accounts that we manage on a discretionary basis.

Similarly, if interests in a Portfolio Fund are available in the “secondary market” but such interests are not available in an amount sufficient to satisfy the aggregate amount that Participating Accounts wish to invest in such interests, such interests generally are allocated to each Participating Account that has funds available to make such investment in the proportion that the amount such Participating Account wishes to invest in such interests bears to the aggregate amount that all Participating Accounts wish to invest in such interests, subject to the investment guidelines and constraints applicable to such Participating Account and to certain limited exceptions set forth in such policies and procedures, as well as to the considerations set forth in the last sentence of the preceding paragraph.

GCM frequently seeks to obtain agreements from Investment Managers under which Portfolio Funds managed by such Investment Managers agree to accept specified dollar amounts of capital from GCM Funds (considered in the aggregate) at specified investment dates and/or over specified time periods. In cases where GCM is able to negotiate “capacity” of this type for the GCM Funds with respect to a particular Portfolio Fund, such capacity is not reserved solely for those GCM Funds that are in existence on the date that GCM negotiated such capacity. Similarly, to the extent such capacity is allocated to a GCM Fund that was in existence on the date that GCM negotiated such capacity, such allocation is not reserved solely for persons who were investors/participants in such GCM Fund on that date. Instead, such capacity is made available to all GCM Funds that wish to invest in such Portfolio Fund, based on the allocation decisions of their respective Portfolio Management Teams and the application of GCM’s capacity allocation guidelines, regardless of whether such GCM Funds were in existence on the date that GCM negotiated such capacity. Similarly, to the extent that any such capacity is allocated to a GCM Fund that existed on that date, all investors/participants in such GCM Fund participate in such capacity in accordance with their respective economic interests in such GCM Fund, even if such investors/participants invested in such GCM Fund subsequent to that date.

As discussed in greater detail in “**Item 13 – Review of Accounts – Account Reports and Reporting Packages – Different Reporting Packages**,” in certain cases, we provide information relating to Portfolio Funds (including our opinions and our investment decisions in respect of such Portfolio Funds) to: (i) investors/participants in GCM Funds; and (ii) clients to whom we provide hedge fund program advisory services, for the purpose of assisting them in making their own determinations as to whether they wish to invest directly in such Portfolio Funds or withdraw/redeem their direct investments in such Portfolio Funds. In these cases, it can be expected that the recipients of such information will from time to time use such information to determine to:

- invest directly in Portfolio Funds in which one or more GCM Funds are invested (or in which they are contemplating investments), potentially in competition with other GCM Funds if such Portfolio Funds have “limited capacity”; and/or
- withdraw/redeem from Portfolio Funds in which one or more other GCM Funds are invested (or from which they are contemplating withdrawing/redeeming their investments), potentially to the detriment of such other GCM Funds if such Portfolio Funds subject their investors to “gates” or other withdrawal/redemption restrictions that create “limited capacity” to withdraw/redeem from such Portfolio Funds.

***Our Ability To Withdraw/Redeem from Investments in which the GCM Funds Invest***

Certain GCM Funds may wish to withdraw/redeem from an underlying Portfolio Fund at the same time that other GCM Funds (and/or we and our related persons) wish to withdraw/redeem from such Portfolio Fund. The ability to withdraw/redeem from any underlying Portfolio Fund may differ materially from investor to investor due to the timing of their respective investments in such Portfolio Fund, the different classes of interests in such Portfolio Fund in which they invest, special arrangements negotiated with the Investment Manager of such Portfolio Fund and/or other factors. The reasons why certain GCM Funds may wish (or be compelled to) withdraw/redeem from a particular Portfolio Fund as of a particular date also may differ materially from the reasons why other GCM Funds (and/or we and our related persons) may wish (or be compelled to) withdraw/redeem from such Portfolio Fund as of such date. Withdrawals/redemptions or subscriptions by GCM Funds, us and/or our related persons from or to a particular Portfolio Fund could in certain cases adversely affect other GCM Funds that are invested in such Portfolio Fund. Significant withdrawals/redemptions or subscriptions could, for example, cause portfolio damage, portfolio dilution, depletion of liquidity, costly portfolio rebalancing, imposition of withdrawal “gates” and under-allocation to certain positions. It could also cause a Portfolio Fund to make “in-kind” (as opposed to cash) distributions. In cases such as these, we have a conflict of interest in making withdrawals/redemptions or subscriptions for the GCM Funds. This conflict of interest could be exacerbated in situations where one or more GCM Funds (and/or we or our related persons) may withdraw/redeem from a particular Portfolio Fund on a date as of which one or more other GCM Funds are not able to do so. For example, certain GCM Funds (and/or we and our related persons) may have invested in a particular Portfolio Fund pursuant to a “lock-up” that has expired, whereas one or more other GCM Funds may still be subject to “lock-ups” in connection with their investments in such Portfolio Fund because they either:

- purchased their interests in such Portfolio Fund subsequent to the time that certain other GCM Funds, we and our related persons purchased their interests in such Portfolio Fund; or
- opted for liquidity classes in such Portfolio Fund that are different from the liquidity classes owned by such other GCM Funds, us and our related persons.

In addition, certain withdrawal/redemption “gates” are, for example, calculated based on withdrawals/redemptions during an entire quarter or other period, so that if certain GCM Funds (and/or we and our related persons) withdraw/redeem *during a quarter*, this could prevent one or more other

GCM Funds from withdrawing/redeeming at *quarter-end*, whereas the earlier withdrawals/redemptions are unaffected.

We have a fiduciary duty to the GCM Funds to act in good faith and with fairness in all of our dealings with them, and will take such duties into account in dealing with all actual and potential conflicts of interest arising from the timing of withdrawals/redemptions from Portfolio Funds by the GCM Funds, us and our related persons.

Please also see the discussion in Item 12 below under the heading “*Treatment of the GCM Funds as an “Investment Group” for Certain Transaction.*”

## **Item 12 – Brokerage Practices**

### ***Our Brokerage Practices***

Except in the very limited case of “secondary market” transactions in interests in Portfolio Funds, when the GCM Funds invest in Portfolio Funds – which typically constitutes their principal business activity – the GCM Funds contract directly with the Portfolio Funds without the involvement of a financial intermediary such as a broker-dealer. Commissions are not payable in connection with such investments.

To the extent that GCM Funds we manage on a “discretionary” basis purchase or sell investments other than investments in Portfolio Funds, we have the authority to determine the financial intermediaries to be used in connection with such purchases/sales and to negotiate the commissions or other transactional compensation to be paid to such intermediaries in connection with such purchases/sales – which commissions or other compensation are borne by the affected GCM Funds. In determining which intermediaries to use, we focus on the quality of the execution-related services provided by the intermediaries (including factors such as the ability of the intermediaries to execute transactions efficiently, their responsiveness to instructions, their facilities, their reliability and their financial stability), and we do not necessarily select those that charge the lowest commissions or other transactional costs.

To the extent that the GCM Funds we advise on a “non-discretionary” basis engage in transactions in investments other than investments in Portfolio Funds, we do not have the authority to determine the financial intermediaries used in connection with such transactions or to negotiate the commissions or other transactional compensation to be paid to such intermediaries in connection with such transactions, unless the client expressly confers that authority on us and we agree to accept such authority. In all such cases, the commissions or other compensation are borne by the client.

We do not separately compensate financial intermediaries for the provision of non-execution related services and we do not believe that we “pay up” for such services. However, we may from time to time use financial intermediaries that provide research-related products or services to most or all of their customers, and – although we do not request research-related products or services from such financial intermediaries – we may on occasion receive and use research provided by such intermediaries. In this situation, we receive a benefit because we do not have to produce or pay for the research. Accordingly,

we may have an incentive to select financial intermediaries based on our interest in receiving the research or other products or services rather than on our clients' interest in receiving the most favorable execution. However, since the research provided is not material in nature and quantity and is provided without our request, we believe that our receipt of such research does not have a material effect on our selection of financial intermediaries.

To the extent that the GCM Funds engage in "secondary market" transactions in interests in Portfolio Funds, we generally have limited ability to select the financial intermediaries involved in connection with any proposed transaction or to negotiate the commissions or other transactional compensation to be paid to such intermediaries in connection with such transactions. In general, the number of financial intermediaries active in the hedge fund "secondary market" is small. The commissions charged by such intermediaries may vary significantly from intermediary-to-intermediary, and from transaction-to-transaction.

### ***Brokerage Practices of Investment Managers of Portfolio Funds***

Investment Managers of the underlying Portfolio Funds in which the GCM Funds invest select the financial intermediaries that execute transactions for their respective Portfolio Funds and negotiate the related brokerage commissions and other transactional costs paid to such intermediaries.

In selecting financial intermediaries and/or in negotiating commissions and other compensation with them, such Investment Managers (subject to their overall duty to obtain "best execution" of all transactions for the Portfolio Funds they manage):

- have authority to and may consider the full range and quality of the services and products provided by the intermediaries (including factors such as the ability of the intermediaries to execute transactions efficiently, their responsiveness to instructions, their facilities, reliability and financial responsibility, and the value of any research or other services or products they provide); and
- do not necessarily select intermediaries that charge the lowest transaction costs. In this regard, Investment Managers may engage in the practice known as "paying up," whereby the Investment Managers cause their Portfolio Funds to pay higher transaction costs than they would otherwise pay so that the Investment Managers may receive certain non-execution related products and services provided by or through the intermediaries (so-called "soft dollar" benefits).

The practices discussed above create conflicts between the interests of an Investment Manager and the interests of the Portfolio Fund(s) managed by such Investment Manager. This is because an Investment Manager that receives "soft dollar" benefits receives a benefit that it does not have to purchase out of its own resources. This benefit, in turn, may create an incentive to utilize particular intermediaries based not on the interest of the Portfolio Fund(s) in achieving "best execution" of their transactions, but on the Investment Manager's interest in receiving benefits for which it does not have to pay out of its own resources.



Further, an Investment Manager may cause a Portfolio Fund managed by such Investment Manager to pay transaction costs to a financial intermediary even though such Investment Manager and/or clients of such Investment Manager other than such Portfolio Fund are the exclusive beneficiaries of “soft dollar” benefits provided by the intermediary.

We ordinarily are authorized to consent – on behalf of GCM Funds that we manage on a “discretionary” basis – to practices in which the Investment Managers of the Portfolio Funds in which such GCM Funds invest receive “soft dollar” benefits from the financial intermediaries selected by such Investment Managers to effect transactions in securities or other financial instruments for such Portfolio Funds (subject to the Investment Managers’ overall duty to obtain “best execution” of all transactions for the Portfolio Funds they manage). This is the case regardless of whether such Investment Managers’ “soft dollar” practices conform to the requirements of the so-called “safe harbor” provided by Section 28(e) of the Exchange Act (except where regulatory considerations do not permit such investment managers to engage in such practices). However, most of the underlying Portfolio Funds in which the GCM Funds invest either do not engage in “soft dollar” practices or do so within the “safe harbor” provisions of Section 28(e) of the Exchange Act. In those cases where the investment manager of an underlying Portfolio Fund indicates that it may engage in “soft dollar” practices outside of the “safe harbor,” we – as part of our due diligence review and ongoing monitoring of Portfolio Fund investments – obtain information concerning such “soft dollar” practices and make an assessment as to whether such practices are appropriate and reasonable under the circumstances.

#### ***Treatment of the GCM Funds as an “Investment Group” for Certain Transactions***

In certain cases, although each investment in a Portfolio Fund by a GCM Fund is a distinct transaction, Portfolio Funds may agree to treat all investments made by GCM Funds as if they had been made by the same investor for purposes of applying certain business terms such as “gates.” We enter into these types of arrangements because we believe that in most cases they can be expected to benefit all participating GCM Funds. However, under arrangements such as these, certain GCM Funds could make complete withdrawals/redemptions provided that other GCM Funds do not withdraw/redeem, as the former GCM Funds could make use of the withdrawal/redemption capacity allocable to the entire “investment group.” For example, if a GCM Fund that is part of an “investment group” were to withdraw/redeem from a Portfolio Fund because such GCM Fund itself has received significant withdrawal/redemption requests, wishes to rebalance its portfolio or otherwise requires liquidity, its withdrawal/redemption could reduce withdrawal/redemption capacity for other members of the “investment group.” In this example, depending on the actual terms of the applicable “gate,” a particular GCM Fund that participates in an “investment group” may be entitled to receive less withdrawal/redemption proceeds in respect of a particular withdrawal/redemption than would be the case had such GCM Fund not participated in such “investment group.”

In certain cases, we are able to negotiate favorable investment terms with the Investment Managers of Portfolio Funds, but often on the condition that our accounts (which, in certain cases, could include our proprietary accounts and/or proprietary accounts of our related persons) collectively maintain an aggregate minimum level of invested capital in a given Portfolio Fund or group of Portfolio Funds managed by the same Investment Manager. The need to maintain an aggregate minimum investment by



our accounts in a particular Portfolio Fund or group of Portfolio Funds managed by the same Investment Manager in order to retain favorable investment terms for all of our accounts that invest in such Portfolio Fund(s) creates a conflict of interest in that it creates an incentive for us to cause an account to invest in or not to withdraw/redeem from a given Portfolio Fund in order to maintain the minimum threshold investment. Our proprietary capital (and/or the proprietary capital of our related persons) – whether invested directly in a Portfolio Fund or through a GCM Fund in which we and/or our related persons invest – may be among the capital that benefits from the minimum investment threshold being maintained, creating an additional conflict of interest.

As discussed above, we have a fiduciary duty to the GCM Funds to act in good faith and with fairness in all of our dealings with them, and will take such duties into account in dealing with all actual and potential conflicts of interest arising from the timing of withdrawals/redemptions from Portfolio Funds by the GCM Funds, us and our related persons. At the same time, although we enter into the types of arrangements discussed above because we believe that they generally can be expected to benefit all GCM Funds, there may be particular facts and circumstances under which particular GCM Funds would receive more favorable treatment had they not participated in such arrangements.

Please also see the discussion in Item 11 above under the headings “*Our Ability to Invest in the Same Securities in which the GCM Funds Invest*” and “*Our Ability to Withdraw/Redeem from Investments in which the GCM Funds Invest*.”

### **Item 13 – Review of Accounts**

#### ***Account Reviews***

Except where we expressly agree otherwise with a client:

- one or more members of the Portfolio Management Team assigned to a particular GCM Fund review the portfolio of such GCM Fund no less frequently than monthly; and
- no less frequently than monthly, we update position balances for every GCM Fund, review current allocations and make appropriate changes, if necessary, to each GCM Fund’s forward-looking allocation plan.

#### **Exceptions to Investment Constraints**

To the extent that a monthly review by our Research or Finance Departments indicates an exception to a GCM Fund’s compliance with applicable investment constraints, the Portfolio Management Team assigned to such GCM Fund and certain other members of our Investments Department review the exception to determine what action, if any, is required to remedy the exception.

#### Investment Committee Changes in Strategy and/or Allocation Guidelines

If our Investment Committee changes strategy and/or manager allocation guidelines or the approval status of certain Investment Managers, our Investment Committee and certain other members of our Investments Department review the changes to determine what action, if any, is required to adjust the portfolios of the GCM Funds in light of the changes.

#### Capital Inflows/Outflows

To the extent there are capital inflows or outflows with respect to a GCM Fund, the Portfolio Management Team assigned to such GCM Fund reviews the portfolio of such GCM Fund to determine what changes are required to accommodate such capital flows.

#### Portfolio Management Team Proposed Changes in Allocations

If the Portfolio Management Team assigned to a GCM Fund determines to propose changes to the portfolio allocations of such GCM Fund based on its assessment of specific Investment Manager opportunities or market opportunities, certain members of our Investments Department review such GCM Fund to determine whether the proposed changes would be consistent with such GCM Fund's investment constraints.

Our personnel who are responsible for the reviews discussed above include persons who are our Associates, Vice Presidents, Senior Vice Presidents or Managing Directors. However, primary responsibility for such reviews rests with the Portfolio Management Team assigned to the relevant GCM Fund.

Representatives of our Finance Department independently review each GCM Fund on a monthly basis to determine whether such GCM Fund is in compliance with applicable investment constraints.

#### ***Account Reports and Reporting Packages***

##### Basic Account Reports

Except where we expressly agree otherwise with a client, we deliver or cause to be delivered – no less frequently than quarterly – to each person who was an investor in a GCM Fund at any time during the relevant reporting period a written report setting forth:

- an unaudited statement of the estimated rate of return of the GCM Fund for the period covered by the report (except in the case of GCM Funds that are RICs);
- the estimated value of the investor's investment in the GCM Fund as of the end of such period; and
- such other financial reports and information as we may deem appropriate.

As soon as reasonably practicable after the end of each fiscal year of a GCM Fund that is an entity (and in any event not more than 180 days after the end of such fiscal year (or 60 days, in the case of the RICs), we deliver or cause to be delivered to each person who was an investor in the GCM Fund at any time during such fiscal year a written report containing audited financial statements of the GCM Fund for such fiscal year. Such audited financial statements generally include or are accompanied by:

- a statement of assets, liabilities and investors' capital (including a condensed schedule of investments in the case of GCM Funds that are not RICs, and a schedule of investments for GCM Funds that are RICs);
- a statement of operations;
- a statement of changes in investors' capital;
- a statement of cash flows; and
- the financial statements of any GCM Fund in which such GCM Fund invests.

In the case of GCM Funds that are organized as partnerships for U.S. tax purposes, as soon as reasonably practicable after the end of each calendar year, we deliver to each person who was an investor in the GCM Fund at any time during such calendar year such tax information and schedules relating to the GCM Fund as are necessary for the preparation by the investor of its federal income tax returns. However, we do not assume responsibility for tax reporting errors or delays on the part of the Portfolio Funds.

Further, a GCM Fund that is organized as a partnership for U.S. tax purposes may not be able to complete and file its partnership income tax return for any year or deliver a Schedule K-1 for such year to each of its investors until the GCM Fund has received tax information for that year from the Portfolio Funds in which it invests. Because a large number of the Portfolio Funds in which a GCM Fund invests may be calendar-year taxpayers, and due to the time needed for the preparation of income tax returns, we ordinarily are not able to send a Schedule K-1 to each investor in time to file the investor's income tax returns by the original due date. Thus, it ordinarily is necessary for each investor to obtain an extension of the filing date for its return for each year.

#### Different Reporting Packages

Different investors/participants in the GCM Funds (including different investors in the same GCM Fund), as well as certain other persons (including: (i) persons to whom we provide investment advisory services on a non-discretionary basis and (ii) persons who currently have, or who previously have had, an interest in us or who otherwise currently are, or who previously have been, associated with us), receive oral and/or written reports from us that differ in form, substance, level of detail, timing and/or frequency, based on factors such as:

- the type(s) of services we provide to such investors/participants;

- the size of their investments with us;
- requests for specific types of information made by such investors/participants or persons acting on their behalf;
- negotiations between us and such investors/participants or other persons acting on their behalf; and/or
- our internal assessment of the likely reporting needs of such investors/participants or of persons acting on their behalf.

In particular, certain reports may include information relating to Portfolio Funds in which the GCM Funds invest (or in which they are contemplating an investment).

In certain cases, we provide information to investors/recipients in the GCM Funds for the purpose of enabling them to monitor their investments in the GCM Funds. In these cases, we cannot effectively prevent an investor/recipient who has received information that has not been provided to other recipients to use such information to determine whether to:

- withdraw/redeem from a GCM Fund managed or advised by us or increase its investment in a GCM Fund;
- invest directly in Portfolio Funds in which one or more GCM Funds are invested (or in which they are contemplating investments), potentially in competition with the GCM Funds; or
- withdraw/redeem from Portfolio Funds in which one or more GCM Funds are invested (or from which they are contemplating withdrawing/redeeming their investments), potentially to the detriment of the GCM Funds.

In other cases, we provide information relating to Portfolio Funds to investors/participants in GCM Funds for the purpose of assisting them in making their own determinations as to whether they wish to invest in such Portfolio Funds or withdraw/redeem their investments in such Portfolio Funds. In these cases, it can be expected that such investors/participants will use such information to determine whether to engage in any one or more of the actions described above.

Any of these actions could have a material adverse effect on investors/participants who do not receive the same information provided to other investors/participants.

Notwithstanding the foregoing, recipients of our oral and written reports should be aware that:

- we do not permit such recipients to copy, transmit or distribute such reports, or any data or other information contained therein, in whole or in part, or authorize such actions by others, without

our express prior written consent, and any such action taken without our express prior written consent may constitute a breach of contract and applicable copyright laws; and

- by their receipt of such reports, such recipients will be deemed to have acknowledged that: (i) the data and/or other information contained therein may include data and/or information that, under applicable law, may be deemed to be material, non-public information regarding particular securities and/or the issuers thereof; (ii) under certain circumstances, United States securities laws prohibit the purchase and sale of securities by persons or entities who are in possession of material, non-public information relating to such securities and/or the issuers thereof; (iii) securities laws of other jurisdictions may contain a similar prohibition; and (iv) as a result, it is possible that trading in securities that are the subject of data and/or information contained in such reports may be prohibited by law.

If you are a recipient of our oral or written reports, we strongly urge you to review your own policies and procedures relating to the possible receipt of material, non-public information to ensure that any information that you receive from us relating to particular securities and/or the issuers thereof will not be used in any manner that conflicts with applicable law.

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

### ***Background***

As discussed in greater detail in Item 7 of this Brochure, we have three basic types of clients:

- Type 1:           The GCM Funds.
- Type 2:           Institutional investors, such as public or private pension plans, that enter into discretionary or non-discretionary investment management agreements, investment advisory agreements or similar agreements with us rather than investing in GCM Funds. The client accounts established under such agreements, like the GCM Funds, invest primarily in underlying hedge funds.
- Type 3:           Institutional investors that we assist, on a non-discretionary basis, in designing, building and managing their hedge fund investment programs.

### ***Receipt of Payments from Third Parties***

We serve as a sub-adviser to certain investment vehicles that are managed by independent third parties. These independent third parties compensate us (out of the investment management fees they receive from such investment vehicles or otherwise out of their own resources) for the sub-advisory services we provide to such investment vehicles. As a technical matter, we receive these fees from the independent third parties, but in substance we receive these fees from the investment vehicles (our clients) to compensate us for the sub-advisory services we provide to them. We do not believe that these arrangements result in or involve any conflict of interest on our part.

### *Payment of Compensation for Investor Referrals*

As discussed in greater detail in Item 10 of this Brochure under the heading “*Affiliated Placement Agents*,” we compensate two affiliated entities for referring prospective investors to certain GCM Funds.

In addition, we (or one of our affiliates) may pay from our own resources compensation or commissions, either at the time of sale or on an ongoing basis, to intermediaries for sales by such intermediaries of interests to investors in the RICs, as well as for ongoing investor servicing. Such payments, sometimes referred to as “revenue sharing,” may be made:

- from the investment advisory fees we receive from the RICs; and
- for the provision of sales training, product education and access to sales staff, the support and conduct of due diligence, balance maintenance, the provision of information and support services to investors, inclusion on preferred provider lists and the provision of other services.

The receipt of such payments could create an incentive for the intermediaries to offer or recommend a GCM Fund instead of similar investments where such payments are not received. Such payments may be different for different intermediaries.

We may from time to time compensate unaffiliated third parties in connection with our participation in investor introduction conferences sponsored by such third parties in which we meet with prospective investors introduced to us by such third parties.

We serve as investment manager of a number of non-U.S. GCM Funds in which certain “private banking” clients of a European financial services firm (**European Distributor**) may invest through one or more “omnibus” accounts established by the European Distributor. We share with the European Distributor a portion of the management and performance-based fees we receive from such non-U.S. GCM Funds in connection with such investments.

The European Distributor currently invests in several non-U.S. GCM Funds for its own account. The European Distributor’s investments in such GCM Funds are related to certain “structured note programs” pursuant to which the European Distributor previously issued and sold, to its customers, certain non-U.S. Dollar-denominated certificates whose returns are indexed in part to the returns of such GCM Funds (**GCM-Related Index Certificates**). The European Distributor is not currently issuing and selling GCM-Related Index Certificates to its customers and, consequently, is not currently investing additional amounts in such non-U.S. GCM Funds in connection with such “structured note programs.” Moreover, the European Distributor is in the process of redeeming such investments in order to meet related redemptions of outstanding GCM-Related Index Certificates. We will continue to share with the European Distributor a portion of the management and performance-based fees we receive from such non-U.S. GCM Funds in connection with the European Distributor’s investments therein, until such time as the European Distributor completely redeems such investments.

### ***Payment of Compensation for Client Referrals***

From time to time, we may make cash payments for client referrals to persons other than our employees and our affiliates pursuant to applicable laws, including Rule 206(4)-3 under the Advisers Act, when applicable. These payments may differ by referrer and are negotiated based on a range of factors, including but not limited to, target markets, nature and size of potential client relationships, quality of service and industry reputation. In general, a referrer may be compensated based (a) on a fixed periodic fee that is not contingent upon any person referred to us by such referrer becoming a client of ours, or (b) on a percentage of the amount of the referred client's investment with us over some set period of time. Some referrers or their affiliates may receive a retainer amount against which future payments are offset. Referrers may also receive reimbursement for certain expenses related to their activities associated with referring clients to us. Any such payments will be disclosed in accordance with Rule 206(4)-3.

We are also referred clients by unaffiliated consultants that are retained by clients or prospective clients. While we do not make payments to these consultants for client referrals, we may pay to participate in investment advisory searches conducted by certain consultants on behalf of their clients as well as in conferences and other events sponsored by certain consultants. We may also purchase products and services from such consultants or their affiliates.

Our participation in conferences and other events sponsored by consultants, or by industry-related organizations to which we pay a fee for membership, helps us interact with investment industry participants and develop an understanding of industry trends and the points of view and challenges of industry participants. Conference and other event participants may include trustees, fiduciaries, consultants, administrators, state and municipal personnel and other clients or prospective clients

### **Item 15 – Custody**

Under the “custody rule” under the Advisers Act – which imposes certain requirements on SEC-registered investment advisers that have custody of client funds or securities – we are *deemed* to have custody of the funds and securities of certain GCM Funds even though:

- we and our affiliates do not physically hold the funds or securities of such GCM Funds; and
- the funds and securities of such GCM Funds are not held or registered in our name or in the name of any of our affiliates.

Although we are *deemed*, under the “custody rule,” to have custody of the funds and securities of certain GCM Funds that are entities, we are exempt from many of the provisions of that rule because we undertake to deliver to the investors/participants in such GCM Funds, within 180 days after the end of the fiscal year of the relevant GCM Fund, financial statements of such GCM Fund that are:

- prepared in accordance with U.S. generally accepted accounting principles (**GAAP**), or with accounting principles other than GAAP provided that:



- > such financial statements meet the requirements of U.S. generally accepted audited standards;
  - > such financial statements contain information substantially similar to statements prepared in accordance with GAAP; and
  - > any material differences between the preparation of such financial statements in accordance with GAAP, on the one hand, and accounting principles other than GAAP, on the other hand, are reconciled in such financial statements; and
- such financial statements are audited by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

#### **Item 16 – Investment Discretion**

We manage most GCM Funds on a “discretionary” basis. We consider a GCM Fund to be managed by us on a “discretionary” basis if we have been granted legal authority (in an investment management agreement, limited partnership agreement, limited liability company agreement, power of attorney or other appropriate legal document) to invest and reinvest the assets of such GCM Fund without receiving prior authorization from any investor/participant in such GCM Fund or any other person to engage in particular investment activities for such GCM Fund.

We manage, on a discretionary basis, many GCM Funds that are designed for multiple investors. In these cases, we determine – prior to the launch of the GCM Fund and, thus, prior to the time that any investor has invested in the GCM Fund – the particular Investment Objectives and Constraints that will apply to our management of the GCM Fund. These restrictions typically do not include restrictions on the GCM Fund’s ability to make investments in particular securities or particular types of securities. Further, investors in the GCM Fund are not afforded the opportunity to place restrictions on the GCM Fund’s ability to make particular investments or particular types of investments, or otherwise to place any additional material limitations on our exercise of discretionary authority over such GCM Fund.

We also manage, on a discretionary basis, many GCM Funds that are designed for single investors (or groups of related investors). In these cases, prior to the launch of the GCM Fund, we propose to the single investor (or group of related investors) the Investment Objectives and Constraints that will apply to our management of the GCM Fund, and the investor is afforded the opportunity to review and suggest changes to such objectives and restrictions, including restrictions on the GCM Fund’s ability to make particular investments or particular types of investments. If we agree to be bound by any such changes, we will follow them in connection with managing such GCM Fund. In certain cases, clients who grant legal investment discretion to us may informally reserve the right to approve or disapprove of our investment decisions for their accounts prior to the implementation of such decisions.

### **Item 17 – Voting Client Securities**

Rule 206(4)-6 under the Advisers Act requires an SEC-registered investment adviser like us to implement proxy voting policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the best interests of its clients.

Pursuant to Rule 206(4)-6, we have adopted Proxy Voting Policies and Procedures (**Proxy Policies**) that have been designed to ensure that we vote proxies in the best interests of our clients.

You may request a copy of our Proxy Policies (which are summarized below), and/or request an opportunity to review our proxy voting records, by contacting Girish Kashyap of our Legal/Compliance Department (telephone: 312-506-6695; e-mail: [gkashyap@gcmlp.com](mailto:gkashyap@gcmlp.com)).

#### ***When We Are Requested to Respond to Proxy Requests***

The most common scenarios in which we are requested to respond to proxy requests relating to securities held by one or more client accounts are as follows:

- We have investment discretion over such client accounts and we are requested by the Investment Manager of a Portfolio Fund to vote limited partnership interests, limited liability company interests, shares or similar equity interests in such Portfolio Fund.
- A client who invests in an account over which we do not have investment discretion is requested by the Investment Manager of an underlying Portfolio Fund in which such account invests to vote limited partnership interests, limited liability company interests, shares or similar equity interests in such Portfolio Fund, and such client in turn requests us to make a recommendation as to how such client should respond to such request.

In rare cases, we may be requested to vote on (or make recommendations to clients as to how to vote on) matters relating to Project Agreements and Ancillary Investments.

For purposes of convenience, a request by an Investment Manager or other party (other than a client) to vote a security held by a client account, or to vote on any matter (or consent to any action) relating to a Project Agreement, is referred to below as a **Proxy Request**.

#### ***Material Proposals and Immaterial Proposals***

We divide Proxy Requests into two general categories, those relating to “Immaterial Proposals” and those relating to “Material Proposals.”

We define an **Immaterial Proposal** as a proposal that, if adopted, *would not*, in our reasonable judgment, either:

- be reasonably likely to have a material adverse effect on the relevant client account(s) (*e.g.*, a proposal to approve a change in the name of a Portfolio Fund, to approve a Portfolio Fund's previous year's audited financial statements, to approve a Portfolio Fund's appointment of independent auditors, to elect new directors of a Portfolio Fund, *etc.*); or
- materially adversely change the terms on which future investments may be made by one or more of our client accounts.

In other words, a proposal that, if adopted, would change any one or more terms in a manner that is favorable, or not materially adverse, to existing or future client accounts, is an Immaterial Proposal.

We define a **Material Proposal** as a proposal that is not an Immaterial Proposal – *i.e.*, a Material Proposal is a proposal that, if adopted, *would*, in our reasonable judgment, either:

- be reasonably likely to have a material adverse effect on the relevant client account(s); or
- materially adversely change the terms on which future investments may be made by one or more client accounts.

### ***Determining What Action Should Be Taken in Response to a Proxy Request***

Upon receiving a Proxy Request containing an Immaterial Proposal or a Material Proposal:

- the GCM investment professional whom we have designated as the Proxy Principal with respect to the Investment Manager or securities in question must determine whether favorable action on such Proposal would be consistent with:
  - > the investment objective(s), policies and restrictions of the relevant client account(s); and
  - > the best economic interests of the relevant client account(s).

This does not mean that the Proxy Principal is obligated to disapprove a Proxy Request in a situation where approval would result in an economic detriment to the relevant client account(s); it means instead that, in determining a course of action with respect to a Proxy Request, the Proxy Principal:

- must consider only those factors that relate to the economic value of the investment to which such Proxy Request relates (to the extent factors relating to economic value are involved in such Proxy Request);

- must not subordinate the economic interests of the relevant client account(s) to objectives unrelated to the economic value of the investment to which such Proxy Request relates; and
- may not use the opportunity to consent to a Proxy Request to promote social purposes or to further legislative, political, regulatory or public policy issues that have no connection to enhancing the economic value of the investment to which such Proxy Request relates.

### ***Action on Immaterial Proposals***

It is our policy to act (or recommend action, as the case may be) on each Immaterial Proposal, unless our Operations Committee determines otherwise.

It is our policy to consent (or recommend consent, as the case may be) to each Immaterial Proposal unless:

- the relevant Proxy Principal has determined that consenting to such Immaterial Proposal would not be consistent with either or both: (i) the investment objective(s), policies and restrictions of the relevant client account(s) and (ii) the best economic interests of the relevant client account(s), or the Proxy Principal otherwise has determined to object to such Immaterial Proposal; and/or
- our Operations Committee determines, based on information provided to it by the Proxy Principal and/or by certain other persons within our organization, that consent to such Immaterial Proposal would not be consistent with: (i) the investment objective(s), policies and restrictions of the relevant client account(s) and/or (ii) the best economic interests of the relevant client account(s).

Notwithstanding the foregoing, our Operations Committee, after due consideration, may authorize GCM to act favorably (or make a favorable recommendation, as the case may be) on an Immaterial Proposal in either of the two situations described above, upon such terms and subject to such conditions as our Operations Committee may determine to be appropriate under the circumstances.

### ***Action on Material Proposals***

Except as discussed below under “***Managing Conflicts of Interest***,” it is our policy to act (or recommend action, as the case may be) on each Proxy Request relating to a Material Proposal ***in accordance with the recommendation of the Proxy Principal*** with respect to the Investment Manager or securities in question, subject to the following considerations:

- Any member of our Investment Committee may object to the recommendation of a Proxy Principal in response to a Proxy Request. In the case of any such objection, the matter is referred to our Investment Committee, whose decision shall be final and conclusive; provided, however, that our Chief Executive Officer or our Operations Committee may veto any action proposed to be taken by a Proxy Principal or by our Investment Committee in response to a Proxy Request.

- Our Operations Committee may object to the recommendation of a Proxy Principal in response to a Proxy Request if our Operations Committee determines, based on information provided to it by the Proxy Principal and/or by certain other persons within our organization, that consent to such Proxy Request would not be consistent with: (i) the investment objective(s), policies and restrictions of the relevant client account(s) and/or (ii) the best economic interests of the relevant client account(s). Our Operations Committee, however, after due consideration, may authorize GCM to act favorably (or make a favorable recommendation, as the case may be) on a Proxy Request relating to a Material Proposal in this situation, upon such terms and subject to such conditions as our Operations Committee may determine to be appropriate under the circumstances.

In the case of client accounts that we manage on a discretionary basis, we ordinarily do not consult with the clients prior to taking action on Proxy Requests that affect such accounts. However, in certain cases, clients who grant written legal investment discretion to us may informally reserve the right to approve or disapprove of our decisions with respect to voting on Proxy Requests that affect their accounts.

In the case of client accounts that we advise on a non-discretionary basis, we inform the clients of the Proxy Requests and follow their respective instructions with respect to voting on such requests.

#### ***Factors Considered in Determining What Action Should Be Taken in Response to a Proxy Request***

We expect that Proxy Requests frequently will request approval of “**Adverse Measures**,” namely, measures that reduce the rights, powers and authority, and/or increase the duties and obligations, associated with the security or Project Agreement in question. For example, it is anticipated that Proxy Requests frequently will request approval of increased fees and/or less favorable liquidity provisions relating to Portfolio Funds in which one or more of our client accounts invest.

Nevertheless, it is expected that a Proxy Principal ordinarily will recommend favorable action on Proxy Requests that propose Adverse Measures as long as:

- such Proxy Principal reasonably believes, based on the totality of the facts and circumstances (in the case of a Proxy Request relating to an investment in a Portfolio Fund or to an Ancillary Investment) that continuing to hold the relevant security has a reasonable probability of conferring economic benefits on the relevant client account(s) (e.g., continued access to a high-quality Investment Manager) that outweigh the adverse economic affect(s) of such Adverse Measure, considered over the anticipated holding period of such security in the portfolio(s) of the relevant client account(s); and
- such Proxy Principal reasonably believes, based on the totality of the facts and circumstances (in the case of a Proxy Request relating to a Project Agreement) that adoption of the proposal in question has a reasonable probability of enhancing (or not materially reducing) the economic value and/or utility of the Project Agreement in the portfolio(s) of the relevant client account(s) over the anticipated life of such Project Agreement.

### *Managing Conflicts of Interest*

In furtherance of our goal to take action on all Proxy Requests in a manner that best serves the interests of the affected client accounts, we will not implement any decision to respond to (or make a recommendation as to how to respond to) a Proxy Request in a particular manner unless and until a Compliance Officer has implemented certain procedures designed to:

- identify whether we are subject to a conflict of interest in taking action in response to such Proxy Request;
- assess the materiality of such a conflict; and
- address a material conflict in a manner designed to serve the best interests of the affected client accounts(s).

A conflict of interest ordinarily will be considered material if it can reasonably be argued that we (or certain of our related persons) have a meaningful incentive to respond to the Proxy Request in a manner designed to benefit us (or any such related person) rather than the affected client accounts – even if there is no ostensible detriment to the affected client account(s) from responding to such request in that manner.

In addition, a conflict of interest may be considered material if it can reasonably be argued that we have a meaningful incentive to respond to a Proxy Request in a manner designed to favor one or more of our client account(s) over one or more of our other client account(s).

All materiality determinations are based on an assessment of the particular facts and circumstances.

If the Compliance Officer determines that we (or one or more of our related persons) are subject to a conflict of interest in taking action in response to a Proxy Request but that such conflict is not material, he or she shall issue an instruction to take action in response to such Proxy Request as provided above under “*Action on Immaterial Proposals*” or “*Action on Material Proposals*,” as the case may be.

If the Compliance Officer determines that we (or one or more of our related persons) are subject to a material conflict of interest in taking action in response to a Proxy Request, he or she shall, in consultation with such other of our personnel as he or she determines to be appropriate under the circumstances, determine how to address such conflict.

In determining how to address a material conflict of interest, the Compliance Officer may consider the following potential solutions, as well as any other solutions he or she wishes to consider:

- in the case of a non-discretionary account, disclosing the conflict of interest to the appropriate parties;
- in the case of a discretionary account, disclosing the conflict of interest to the appropriate parties and obtaining their consent (in accordance with the governing documents of such account) to act

on the Proxy Request in accordance with the decision reached by us with respect to such Proxy Request; and

- in the case of any account, engaging an independent third party to recommend a response to the Proxy Request.

In cases where the Compliance Officer determines that we (or one or more of our related persons) are subject to a conflict of interest in responding to a Proxy Request and that such conflict is material, he or she shall not issue an instruction to take or recommend action in response to such Proxy Request in accordance with the decision reached by us without first determining that such action is in the best interests of the affected client account(s).

In the case of any client account that is subject to ERISA, we may not issue an instruction to take or recommend action in response to a Proxy Request unless the material conflict has been cured or avoided to the satisfaction of the Compliance Officer pursuant to one or more of the following steps:

- If the material conflict implicates one or more individuals on our Investment Committee or our Operations Committee but does not implicate us (or other personnel), the implicated individual(s) shall be recused from the decision with respect to such Proxy Request if feasible and not detrimental to such account.
- If the impact of the material conflict goes beyond specific employees who can reasonably be recused from the action, we must engage an independent third party to recommend a response to the Proxy Request. The independent third party could be the fiduciary for the client account, in the case of a non-discretionary account, if the fiduciary agrees in writing to assume full fiduciary responsibility for the response without advice from us.

In certain cases, depending on the interests of particular clients, a Proxy Principal may recommend that certain client accounts vote against a Material Proposal and that other client accounts vote in favor of such Material Proposal.

### **Item 18 – Financial Information**

We are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

We have no financial commitment that impairs or is reasonably likely to impair our ability to meet our contractual commitments to our clients, and we have never been the subject of any bankruptcy petition.



## GLOSSARY

<i>Term</i>	<i>Meaning</i>
<b>Advisers Act</b>	The U.S. Investment Advisers Act of 1940, as amended.
<b>Ancillary Investments</b>	See page 21 of this Brochure.
<b>ERISA</b>	See page 50 of this Brochure
<b>Exchange Act</b>	The U.S. Securities Exchange Act of 1934, as amended.
<b>GCM Japan</b>	See page 53 of this Brochure
<b>GCM HK</b>	See page 52 of this Brochure
<b>GCM UK</b>	See page 52 of this Brochure
<b>GCM</b>	See page 1 of this Brochure
<b>GCM Fund</b>	See page 6 of this Brochure
<b>GCM Securities</b>	Grosvenor Securities LLC, an affiliate of GCM that is registered with the SEC as a broker-dealer.

<i>Term</i>	<i>Meaning</i>
<b>ICA</b>	See page 29 of this Brochure.
<b>Investment Committee</b>	See page 12 of this Brochure.
<b>Investment Manager</b>	An investment manager of an underlying Portfolio Fund in which one or more GCM Funds invest.
<b>Investment Objectives and Constraints</b>	See pages 13 of this Brochure.
<b>Manager Research Team</b>	See page 7 of this Brochure.
<b>Operations Committee</b>	See page 13 of this Brochure.
<b>Portfolio Fund</b>	An underlying investment vehicle or account in which one or more GCM Funds invest.
<b>Portfolio Management Team</b>	See page 7 of this Brochure.
<b>Project Agreement</b>	See page 21 of this Brochure.
<b>RIC</b>	A GCM Fund that is registered as a “closed-end” fund or an “open-end” fund under the ICA.
<b>Risk Management Team</b>	See page 8 of this Brochure.