

ITEM 1 – COVER PAGE

Grosvenor Fund Management Inc.

Investment Adviser Brochure (Form ADV: Part 2A)

SEC File Number 801- 67496

April 1, 2014

This brochure provides information about the qualifications and business practices of Grosvenor Fund Management Inc. If you have any questions about the contents of this brochure, please contact us at 215-575-3770. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Grosvenor Fund Management Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

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ITEM 2 – MATERIAL CHANGES

Grosvenor Fund Management Inc. (“GFM”) is updating its Form ADV Part 2A as of April 1, 2014 as part of its annual amendment. The following is a summary of the material changes made since GFM last annually updated its Brochure as of April 1, 2013.

- Alexia K. Gottschalch was named Global Head of Capital Markets
- Bruce Ambler, Jr. has replaced Alexia K. Gottschalch as Chief Executive Officer
- The Individuals responsible for reviewing accounts in Item 13 was updated.

You can request our brochure at any time by contacting Bruce Ambler, Jr., Chief Compliance Officer, at 215-575-3770 or bruce.ambler@grosvenor.com.

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ITEM 4 - ADVISORY BUSINESS

Grosvenor Fund Management Inc. (GFM) is a wholly owned subsidiary of Grosvenor Fund Management (USA) Inc., which is in turn a subsidiary of Grosvenor Group Limited (Grosvenor). In April 2006, Grosvenor acquired Legg Mason Real Estate Service, Inc. (founded 1962).

GFM provides real estate debt and equity portfolio management, asset management, acquisition and disposition services to clients. GFM's services include: 1) developing and implementing investment objectives and strategies based on a client's individual needs, 2) developing and implementing investment underwriting guidelines and criteria, 3) implementing plans for the acquisition, asset management and disposition of real estate and mortgage assets, and 4) providing portfolio and asset management services to client's real estate and real estate related portfolios. GFM's advisory services are limited to investments in real estate and real estate related securities. GFM's clients can impose restrictions on their investments.

GFM creates and manages portfolios consisting of, but not limited to, residential, multi-family, regional and community shopping centers, office buildings, senior housing, industrial buildings, medical buildings, and warehouses, hotels and land. Investments are structured in the form of direct real estate ownership, joint ventures, fixed rate or participation mortgages and mezzanine debt.

As of December 31, 2013, GFM managed approximately \$22,644,000 in assets on a discretionary basis and \$486,628,000 in assets on a non-discretionary basis.

ITEM 5 - FEES AND COMPENSATION

Fees are negotiated with clients and are commensurate with the level of services GFM provides. GFM's compensation includes portfolio management / supervision fees, acquisition and disposition fees, property management fees, fixed fees and performance-based fees. Clients can choose to have GFM invoice the fees or have them directly deducted from their investment account. GFM bills its clients in arrears for services rendered in accordance with the applicable fee schedule. Advisory contracts can be terminated by the client upon request.

Clients also pay charges to financial institutions and other third parties such as real estate brokerage fees (purchase/ sale of real estate), real estate commissions on leases, audit fees on client portfolios, banking fees, custodial fees. Some clients also pay or reimburse GFM for travel costs. The disclosure under Item 12 contains additional information regarding brokerage and other transaction costs.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

GFM manages accounts that are charged a performance-based fee and accounts that are charged an asset-based fee. An inherent conflict of interest potentially exists since an investment manager can potentially receive greater fees from its performance-based fee accounts than from its asset based fee accounts. For example, an investment manager may have an incentive to direct the best investment ideas to, or allocate or sequence trades in favor of, the account that pays a performance fee. GFM's policies prohibit it from allocating trades or investment opportunities that favor any particular client, group of clients or affiliated and proprietary accounts.

ITEM 7 - TYPES OF CLIENTS

GFM's clients include public pension funds, insurance companies, high net worth individuals and foreign investors. GFM does not impose a minimum dollar value of assets or other conditions for starting or maintaining an account.

GFM also provides advisory services to a private limited partnership that was organized and is managed by GFM. An entity related to GFM serves as the fund's general partner. The fund's objective is to invest in residential land opportunities through both debt and equity investments.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

GFM bases its investment strategy on creating real estate and mortgage investment portfolios with an aim towards meeting individual client's needs, specifically as they relate to: 1) preservation of invested capital, 2) maximization of risk adjusted rates of return, 3) provision of a hedge against inflation, 4) the potential for capital appreciation, and 5) overall a well diligenced and structured real estate investment. The emphasis of these basic strategic criteria can vary depending on the portfolio investment objective of each client.

GFM uses traditional real estate underwriting techniques in evaluating its client's real estate and mortgage portfolios. The individual investments are underwritten using (among other things) real estate appraisal methods, evaluation of property sponsorship, financial modeling of investment returns, legal and tax considerations, environmental issues and architectural and physical engineering components.

GFM uses a variety of information sources in formulating its analysis including Grosvenor and external third party market research, real estate professionals in the property's locale, real estate attorneys, professional architects and engineers, appraisers, real estate brokers

and property managers. In addition, GFM subscribes to numerous trade publications, real estate research and real estate market data sources.

Client investments are subject to (among other things) the risks associated with the ownership and development of real estate, including risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, the availability of financing, changes in interest rates, competition based on rental prices, energy and supply shortages, various uninsured and uninsurable risks and government regulations.

In addition, investments in real estate or interests in real estate are highly illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors.

Investing in securities involves risk of loss that clients should be prepared to bear. Investors should thoroughly review the information contained in the governing documents applicable to their respective investments.

ITEM 9 - DISCIPLINARY INFORMATION

GFM and its employees have no legal or disciplinary events to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Through Grosvenor's indirect ownership of GFM, GFM has several related persons who are investment advisers in foreign jurisdictions, SEC exempt reporting advisers, and one related person insurance company. GFM does not believe that its relationships with such related investment advisers create any material conflicts with GFM's advisory business.

From time to time, GFM may also enter into transactions or contracts on behalf of clients with affiliates of related persons of GFM or investors so long as the terms of such transactions are not less favorable to the client than those that would be negotiated with a non-affiliated counterparty. It should be noted that applicable clients are provided with disclosure with respect to this potential conflict in the applicable client's operating documents.

GFM's officers and directors serve as board members or advisors to entities or organizations affiliated with current and potential client investments. These officers and directors are not compensated by and do not have any ownership interest in these other entities.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

GFM has a written Code of Ethics (the "Code") that (among other things): (1) mandates standards of business conduct for its directors, officers and employees, (2) requires compliance with all applicable federal and state securities laws, (3) requires that employees report certain personal real estate holdings and transactions on a periodic basis, (4) requires the provision of, and acknowledgment of acceptance by, GFM directors and employees of a copy of the Code and any amendments, and (5) requires reporting of any violations of the Code promptly to the Chief Compliance Officer.

GFM's employees invest in real estate and engage in real estate related transactions. The Code stipulates that employees are not permitted to use their knowledge of proposed or actual recommendations or transactions to profit personally. The Code also restricts the personal receipt of investment opportunities, perquisites, or gifts from persons doing or seeking business with GFM that could call into question the employee's independent judgment.

GFM recommends the purchase of interests in the private fund(s) in which it organizes and manages. When an investment manager recommends interests in the private fund(s) it sponsors, a conflict of interest exists since the investment manager can benefit from such recommendations. For example, an investment in the private fund increases the amount of fees that the investment manager earns. In addition, the investment manager has an incentive to favor the private fund and allocate limited investment opportunities to the private fund. GFM's policies prohibit it from allocating trades or investment opportunities that favor any particular client, group of clients or affiliated and proprietary accounts.

GFM is the investment manager of a client that is organized as a private fund and is sponsored by third parties. An affiliate of GFM co-invests its own assets in securities or investments in which the private fund also invests under the following conditions:

- If GFM recommends the sale of a security or other investment held by the private fund and the advice is not accepted, GFM can require the third party sponsors to purchase GFM's interest in the security or investment in which it co-invested with the client.
- If GFM is terminated without cause as the investment manager to the private fund, GFM can require the third party sponsors to purchase the securities or investments in which it co-invested with the client.

GFM's employees or officers serve as officers of this private fund client. GFM enters into similar arrangements under similar conditions with other clients with which it co-invests.

Clients may obtain a copy of the Code by contacting the Chief Compliance Officer at bruce.ambler@grosvenor.com or GFM at Grosvenor Fund Management Inc., Two

Commerce Square, 2001 Market Street, Suite 200, Philadelphia, PA 19103, attention Chief Compliance Officer.

ITEM 12 - BROKERAGE PRACTICES

GFM may select the buyer or seller broker (as applicable) used to effect transactions in real estate, unless the client directs GFM to use a particular broker. In selecting brokers, GFM considers the brokerage firm's execution capabilities, reputation and access to the markets for the securities being traded or real estate transactions. Although obtaining the lowest fee is a factor in selecting or recommending a broker, GFM does not necessarily direct transactions to the broker that offers the lowest commissions. If a client directs GFM to use a particular broker, GFM will attempt to negotiate commission rates with that broker, but clients could pay higher brokerage costs and receive less favorable execution.

GFM is committed to allocating potential transactions among its clients in a fair and equitable manner. Investment opportunities are allocated to clients based on GFM's formal allocation policy. This policy accounts for clients with similar investment strategies and allocates investments based upon a rotation system and initially based on the date of the client's advisory contract.

ITEM 13 - REVIEW OF ACCOUNTS

GFM actively manages and internally reviews each client portfolio on an ongoing basis. GFM is organized into three functional areas.

- Investments which includes both acquisitions and asset management;
- Operations which includes finance, transactional support, risk management and compliance; and
- Research.

The Chief Executive Officer is Bruce M. Ambler, Jr. and the Global Head of Capital Markets is Alexia K. Gottschalch.

Staff within the Investments and Operations departments are responsible for overseeing each client's investment operations including (but not limited to): managing property management and leasing agent subcontractors, collecting and remitting investment payments, monitoring individual property financial performance, managing property inspections, and reviewing and completing required financial information for each investment.

Client portfolios are also reviewed and assessed on a quarterly basis for total investment return performance, market values and general risk assessment, unless otherwise

instructed by the client. These evaluations typically include a breakdown of the income and appreciation components of investment return on both a gross and net basis.

GFM provides the following three types of written reports to its clients: 1) monthly investor accounting reports, 2) quarterly portfolio market valuations and investment return performance, and 3) an annual portfolio review and recommended investment strategy. The amount of reporting varies depending on the individual client.

ITEM 14- CLIENT REFERRALS AND OTHER COMPENSATION

GFM does not receive any economic benefit from a non-client for providing investment advisory services. In addition, GFM does not compensate any person for client referrals.

ITEM 15 - CUSTODY

Client funds and securities are maintained with a qualified custodian unless they are certain privately issued securities. GFM has custody over client assets where it is authorized to withdraw funds and securities from the client's account and/or directly debit fees. Private fund(s) organized and managed by GFM are audited by an independent public accountant and audited financial statements are distributed to investors.

For other client accounts over which GFM is deemed to have custody, the qualified custodian sends monthly account statements directly to the client. GFM urges clients to carefully review the account statements they receive from the qualified custodian and the statements they receive from GFM. GFM receives surprise verification audits on such accounts.

ITEM 16 - INVESTMENT DISCRETION

GFM's discretionary authority to acquire or dispose of a client's assets is limited by the client's individual guidelines. GFM requires that a written agreement be made between GFM and each client. This agreement sets forth the terms and conditions of the agreement and includes a description of GFM's services, discretionary authority, compensation, various representations and warranties and other terms of the relationship.

Entities related to GFM serve as the general partner of limited partnerships organized on behalf of clients. In such cases, GFM and its related persons may have any economic ownership in the limited partnerships.

ITEM 17 - VOTING CLIENT SECURITIES

GFM does not vote proxies. Clients arrange to vote their own proxies or arrange for their broker, dealer, custodian, or money manager to vote proxies on their behalf. Clients can contact GFM if they have any questions about a particular proxy solicitation.

ITEM 18 - FINANCIAL INFORMATION

GFM is financially capable of meeting all contractual commitments to its clients.