



Investment Adviser Brochure  
Form ADV Part 2A  
Disclosure Statement for Clients of  
And Investors in Funds Managed by  
Commonfund Capital, Inc.

September 28, 2017

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This brochure provides information about the qualifications and business practices of Commonfund Capital, Inc. ("Commonfund Capital"). If you have any questions about the contents of this brochure, please contact our Investor Services Department at 203-563-5000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Any statements contained in this brochure concerning the registration of Commonfund Capital (or any of its affiliates) with the SEC, or its status (or that of any of its affiliates) as a registered investment adviser, do not imply a certain level of skill or training.

Additional information about Commonfund Capital is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ADV Item 2 - Material Changes**

This Investment Adviser Brochure was last updated on October 5, 2016. Disclosures throughout this Brochure have been enhanced and updated since Commonfund Capital's last annual amendment dated October 5, 2016. For instance, this annual amendment to the Brochure provides additional details with respect to the fees and expenses borne by the funds and other client accounts managed by Commonfund Capital and supplements certain risk disclosures.

Even though a concerted effort is made to keep clients and investors informed of notable changes to Commonfund Capital's business throughout the year, clients and investors are encouraged to review this update, much like all of Commonfund Capital's reports and communications, in its entirety.

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## ADV Item 4 -- Commonfund Capital's Investment Advisory Business

### *Introduction*

Commonfund Capital houses the private capital, private natural resources and private distressed debt investment staff of the Commonfund organization.

As described further in this brochure, Commonfund Capital advises commingled investment funds ("Funds"), normally organized as limited partnerships and designed primarily for institutional investors, including institutions that wish to outsource all or a portion of the management of their private capital, private natural resources or private distressed debt assets. In addition, Commonfund Capital advises certain separate accounts for large institutional investors that can invest in the same investment strategies. Commonfund Capital primarily executes its investment strategies through unaffiliated asset management firms selected and monitored by it. Commonfund Capital calls these sub-advisers "Managers", and describes these advisory services as "manager-of-manager" services (such programs are also sometimes called "fund-of-funds" in the financial industry). However, Commonfund Capital also directly manages certain assets, including certain direct investments in private companies (generally but not necessarily entered into as co-investments placed alongside investments by Managers). See also Item 5, *Fees and Compensation*, and Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*.

Commonfund Capital tailors its advisory services to the specific investment objectives and restrictions of each client account pursuant to the investment guidelines and restrictions set forth in each such client account's confidential private placement memorandum, as well as its limited partnership agreement, advisory, administrative and support agreement, and other governing documents. Investors and prospective investors should refer to the private placement memoranda and governing documents of the applicable client account for complete information on the investment objectives and investment restrictions with respect to such client account. There is no assurance that any client account's investment objectives will be achieved.

Some of the Commonfund's investment programs are managed by an affiliate of Commonfund Capital; specifically, certain marketable securities programs, certain marketable alternatives programs and certain investment advisory outsourcing services are provided through Commonfund Asset Management Company, Inc. ("Commonfund Asset Management"), a SEC-registered adviser.

Mark J. Anson, Chief Investment Officer and President of Commonfund Asset Management and a member of Commonfund Asset Management's Investment Committee, also serves as Chair of the Board of Directors of Commonfund Capital and on Commonfund Capital's Investment Committee. Timothy T. Yates, Jr., Managing Director and Head of Strategic Solutions for Commonfund Asset Management and a member of Commonfund Asset Management's Investment Committee, also serves as a Managing Director of Commonfund Capital.

Commonfund Capital is registered with the SEC as an investment adviser (SEC File No. 801-31713).

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Any such offer or solicitation of securities of a Fund will be made only by means of a confidential private placement memorandum or similar principal disclosure document.*

### ***History and Ownership of Commonfund Capital***

Commonfund Capital is part of Commonfund, a group of companies owned directly or indirectly by The Common Fund for Nonprofit Organizations ("TCF"). TCF is a tax-exempt membership corporation that provides investment services and funds to certain eligible educational and educational support organizations. TCF was organized in 1969 pursuant to a Special Act of the New York State Legislature and commenced operations on July 1, 1971. Initial funding for Commonfund was provided by a grant from The Ford Foundation. TCF, together with its subsidiaries, including Commonfund Capital, is referred to herein as "Commonfund".

In 1988, TCF established a companion organization, Endowment Advisers, Inc. ("Endowment Advisers"), to offer private capital investment partnerships to certain eligible educational organizations. In 1998, Endowment Advisers was reorganized as a wholly-owned indirect subsidiary of TCF, incorporated under the laws of Delaware, and was eventually renamed Commonfund Capital. In 1999, Commonfund Capital, together with some of its affiliates, began managing assets for a broader universe of non-profit organizations other than those educational institutions eligible for direct membership in TCF. In 2010, Commonfund Capital further expanded the scope of its investor base and now accepts investments from public and corporate pension plans, family offices, high-net worth individuals and others. Commonfund Capital is 100 percent owned by TCF (through an intermediate holding company).

### ***Assets under Management***

Commonfund Capital generally manages all assets on a discretionary basis in accordance with the terms and conditions of each the Fund's governing documents. As of June 30, 2017, Commonfund Capital manages approximately \$14,497,775,392 of committed capital on a discretionary basis.

## **ADV Item 5 -- Fees and Compensation**

### ***Fund Fee Arrangements***

Commonfund Capital charges investors in its Funds management fees, and in most cases, performance incentive fees. A description of these methods of compensation is set forth below. Additionally, certain investors have negotiated fee arrangements that differ from the fee schedules set forth below. Factors influencing an investor's fee level include, without limitation, investment mandate, services performed, investment amount (e.g., account size within any Fund

or across multiple Funds and/or separate accounts), and timing of investment (*e.g.*, whether an investor participates in the first, second or later closing of a Fund). Note that in general, Funds or other client accounts pay fees generally quarterly in advance. Commonfund Capital's fees do not include fees and expenses charged by underlying Managers engaged by Commonfund Capital to manage assets of a Fund; these are charged directly to the Funds in question and are in addition to Commonfund Capital's fees.

Where Commonfund Capital's services are terminated, any prepaid and unearned management fees will be promptly refunded and any earned and unpaid management fees will be due and payable.

Commonfund Capital reserves the right to revise its fees for future Funds offered by it. Prospective investors in any future Funds should review with care the descriptions of fee arrangements in the private placement offering memoranda and governing documents for those Funds.

### Management Fees

Investors and prospective investors should review the confidential private placement memorandum, limited partnership agreement and other governing documents of each Fund or separate account in which they invest, in conjunction with this brochure for complete information on the fees and compensation payable.

The Funds typically charge investors an annual management fee (typically paid quarterly in advance) calculated as a percentage of: (i) total capital that has been committed to these partnerships by investors; (ii) cumulative invested capital; or (iii) net asset value. The applicable percentage ranges from 0.20% per annum to 1.0% per annum. Management fees for Funds in extension years or liquidation can be reduced, including to zero. The specific payment terms and other conditions of the management fees are set forth in the governing documents of the applicable Funds. The management fee is generally deducted from the applicable Funds directly by the applicable general partner of the applicable Fund.

Generally, Fund interests purchased by the general partner of such Fund, certain investment funds and separate accounts managed by the general partner or an affiliate of Commonfund Capital or by officers, directors, employees and certain agents of Commonfund Capital and its affiliates, or entities owned by or for the benefit of such individuals or their respective immediate families (collectively, "Special Limited Partners") are not subject to such Fund's management fee.

Investors in all Funds should consult the private placement memoranda and governing documents relating to applicable Funds for details on these fee arrangements.

### Performance Incentive Fees

The general partner (an entity wholly controlled by Commonfund Capital) of each of the Funds

(other than Funds designed for Commonfund's Strategic Solutions clients) is allocated a share of the profits of that Fund. This share, which is sometimes referred to as "carried interest", is designed to provide Commonfund Capital, as manager of the Fund, with an incentive/performance fee. The Funds include a carried interest of between 1.0 percent of profits and 10 percent of profits.

For Commonfund Capital's recent Funds, the general partner is subject to a "clawback" arrangement that requires it, after the liquidation and dissolution of the Fund, to restore to the Fund any amounts it has previously received on account of its carried interest to the extent such amounts exceed the total amount to which it was entitled (based on the Fund's final profits and losses at the time of its liquidation less aggregate tax distributions to which the general partner was entitled).

Generally, Fund interests purchased by Special Limited Partners will not be subject to such Fund's carried interest.

Investors should consult the private placement memoranda and governing documents relating to applicable Funds for additional details on these fee arrangements.

### *Customized Separate Accounts*

For certain institutional mandates, Commonfund Capital can create customized separate accounts, which generally invest a substantial portion of the managed assets in Funds and also directly with private capital Managers and/or funds advised by such Managers (which can be Managers previously utilized by a separate account client).

For separate accounts, Commonfund Capital expects to charge management fees, similar to those that it would charge for investment in its Funds within a similar investment strategy; however, such fees are negotiable, and investors in separate accounts can pay a lower fee than investors in the Funds.

Commonfund Capital also charges carried interest to separate accounts. Commonfund Capital's fees for separate accounts currently range from 30-75 basis points (of cumulative invested capital, committed capital or net asset value), with varying amounts of that total attributable to any carried interest. Additionally, certain investors have negotiated fee arrangements that differ from the fee ranges noted.

### *Other Fees and Expenses*

The Funds and other client accounts bear the fees and expenses, including carried interest or other incentive fees, charged by their underlying Managers. Manager fees (including performance-based fees) and expenses are not paid by Commonfund Capital, and so are charged to investors in addition to Commonfund Capital's own fees and expenses.

The Funds pay a one-time organizational fee to Commonfund Capital, to defray expense of the



organization and initial start-up expenses. This fee can be up to \$900,000 per Fund. Other than the one-time organizational fee, the Funds are not directly or indirectly charged for any fees associated with the placement of interests in the Funds with investors.

The Funds and other client accounts also bear their own operating and other expenses and fees including, but not limited to: (i) fees and expenses of independent accountants and auditors, including without limitation, all fees and expenses associated with the client's financial statements, tax returns, Schedules K-1 and other tax forms, Internal Revenue Service audits, preparation of tax liability calculations on behalf of the client and its investors, and fees and expenses of depositories; (ii) costs related to the investigation, acquisition, monitoring, valuation, ownership and sale of investments (both actual and potential, whether or not consummated) such as broker fees and commissions, travel expenses (including transportation, meals, lodging and other expenses during travel), transaction fees, merger fees payable to third parties and transaction taxes, including, but not limited to, any broken transaction costs, fees and expenses and hedging-related costs and expenses; (iii) custody fees and expenses and fees and expenses attributable to normal and extraordinary investment banking and commercial banking (such as wire fees and foreign exchange fees); (iv) expenses allocable to the client as a limited partner or investor in another investment vehicle (including other investment vehicles managed or advised by Commonfund Capital); (v) fees and reimbursable expenses of investment or distribution managers retained by the client; (vi) legal and other fees and expenses incurred in connection with the review and negotiation of the terms and conditions of investments and potential investments and any amendments (including confidentiality agreements and other agreements relating to actual and potential transactions undertaken or proposed to be undertaken by the client); (vii) a pro rata portion of expenses of an advisory committee established by Commonfund Capital and any other advisory boards established for the benefit of the client (including transportation, lodging, meals and other expenses incurred during travel for meetings); (viii) all costs of any alternative investment vehicles; (ix) costs of liquidating the client or any of its investments; (x) all expenses incurred to comply with the governing agreements of the client and other agreements applicable to the operation of the client, including the governing agreements of investments and all expenses (legal or otherwise) in connection with any restructuring of the client or amendment to the governing agreements; (xi) accounting, reporting or similar administrative functions relating to the client delegated to a third party, including the fees and expenses of such third parties; (xii) appraisal fees and expenses; (xiii) travel expenses (including transportation, meals, lodging and other expenses during travel) incurred in relation to due diligence visits to service providers (including, lawyers, accountants, auditors and other service providers); (xiv) fees and expenses attributable to registration services including filing fees paid to appropriate jurisdictions to remain in good standing with any state or country where the client or the general partner (or manager) of such client is registered or qualified to do business; (xv) all fees and expenses associated with borrowing or financing by the client including capital payments, interest and other expenses for borrowed money; (xvi) a pro rata share of any similar expenses of any special purpose entity, including such special purpose entities formed by Commonfund Capital; (xvii) expenses associated with FATCA registration and compliance; and (xviii) any taxes levied on the client, fees or other governmental charges levied against the client, costs of printing and distribution of reports to investors (but not the costs of preparing such reports), costs of meetings of or conferences for investors (whether individual or in a group, and whether "annual" or special meetings, including travel-related expenses, transportation, meals

and lodging for all Commonfund Capital employees who attend, expenses associated with guest speakers, meeting venue expenses, meeting materials, meeting supplies, activities and/or entertainment associated with such meetings and any other out-of-pocket expenses incurred by the client, its general partner or Commonfund Capital in connection with such conferences or meetings or in preparation thereof), if any, costs of indemnification arrangements to which the client is a party, including the indemnification provided for in the client's governing agreements, premiums for liability insurance to protect the client, its general partner, the officers, directors, employees and agents of such general partner and service providers to the client and the general partner, expenses incurred that relate to prospective or actual litigation involving the client, and general legal and accounting fees incurred for the benefit of the clients.

Generally, certain Special Limited Partners will not bear certain fees and expenses with respect to a Fund.

Prospective investors should refer to the private placement memoranda and governing documents of the applicable Fund or client account for more information relating to such fees and expenses.

See also Item 12, "*Brokerage Practices*" for a description of the factors Commonfund Capital considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Commonfund Capital does not currently, but reserves the right to, directly compensate any entity for client referrals. Commonfund Capital compensates one of its affiliates, Commonfund Securities, Inc. ("CSI"), a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA"), for its placement activities by means of a consolidated, firm-wide revenue sharing arrangement. CSI's compensation for its placement activities will not be borne, directly or indirectly, by any Fund or investor therein.

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

### ***Performance Fees***

Certain Funds and separate accounts charge performance fees, as detailed in the preceding section. These are structured in the form of a "carried interest", or percentage of the profit of the Fund or other client account, that is earned by the general partner (which in the case of each Fund is a controlled affiliate of Commonfund Capital). Please see "*Performance Incentive Fees*" in Section B (ADV Item 5 – Fees and Compensation) for further details regarding Commonfund Capital's performance fee arrangements.

Similarly, most Managers utilized by Commonfund Capital also charge performance fees. The performance fees of some Managers in these sectors can be as high as 30 percent of profits annually, or higher. Manager performance fees are paid directly by the Funds or separate accounts, and thus are borne by investors. Manager performance fees are separate from and in addition to the performance fees charged by Commonfund Capital (as described in the above paragraph).

While Commonfund Capital believes that performance fees can align the interests of an investment manager with those of its clients, investors should also be aware that such fees could incentivize Commonfund Capital or Managers utilized by Commonfund to increase risk in client portfolios.

### *Potential Conflicts of Interest*

Commonfund Capital provides investment advice to a variety of clients, including Funds investing in different investment strategies and with different objectives, as well as institutions with differing objectives and risk tolerances. Commonfund Capital's affiliates also manage investment assets for a variety of clients. In managing Funds and separate accounts, sometimes side-by-side with other Funds, Commonfund Capital and its affiliates can face potential conflicts of interest. Some of these conflicts of interest are discussed below. Please see the governing documents of the applicable Fund or client account for a discussion of how Commonfund Capital addresses potential or actual conflicts of interest relating to such Fund or client account.

#### Performance Incentive Fees

As noted in the preceding section, Commonfund Capital charges performance incentive fees, in the form of carried interest. In addition to the possibility that these fees might create an incentive for Commonfund Capital to approve, and cause the Fund or other client account to make, riskier and more speculative investments, there is also the potential that Commonfund Capital could favor accounts that earn performance incentive fees over those that do not with respect to attractive investment opportunities of a limited quantity. Commonfund Capital believes that its compensation arrangements place sufficient weight on the performance of all accounts that such favoritism is not likely to occur in any meaningful manner. Additionally, we also note that Commonfund Capital's and Commonfund's allocation policies and procedures (discussed in the following section) are designed to mitigate potential conflicts of interest that arise from the side-by-side management of Funds and client accounts that charge performance fees and those that do not.

#### Allocation of Opportunities

##### *Commonfund Capital's Allocation Policy*

Commonfund Capital manages Funds and other client accounts in a number of different investment strategies (including global venture capital, global private equity, natural resources, distressed debt, emerging markets, and multi-asset private capital), and investment opportunities available to Commonfund Capital are in some cases suited for more than one Fund or investment client account. To address this potential, Commonfund Capital maintains a policy for allocating investment opportunities that fall into its various investment strategies.

Commonfund Capital's policy allocates investment opportunities, to the extent practicable, among its clients (which are both Funds and institutional separate accounts) on a basis that is fair and equitable, taking into account relevant facts and circumstances. In allocating a limited investment opportunity among clients, relevant facts and circumstances include, among others:

consistency with a Fund's strategy, risk and return objectives, investment period, a Fund's aggregate commitments and the portion of such Fund that is targeted to be invested in a given strategy, the size of the investment opportunity relative to the Fund, diversification characteristics (vintage year, geography, strategy, industry, and manager), ability to meet investment minimums, manager approval, and whether a Fund (or its predecessor investment vehicle) has a pre-existing relationship with the applicable manager. The dedicated secondary and co-investment Funds, in certain instances, have priority in secondary and co-investment opportunities, and each will, in any event, have the right to invest at least 50 percent of any single secondary or co-investment opportunity.

Notwithstanding the foregoing, incumbency will be considered before the determination of whether any investment opportunity is suitable for any other Fund with respect to all investments in venture capital and natural resources, and existing Funds that pre-date the Allocation Policy dated September 6, 2016 (the "Allocation Policy") and are still investing capital shall be subject to such earlier Allocation Policy. Once these Funds are fully invested and new Funds are raised, they will not be exempted from the Allocation Policy.

With respect to opportunities to invest for which any Fund established prior to September 6, 2016 is suitable, such investment opportunities will generally be allocated in accordance with the allocations policy in effect on the date of such Fund's initial closing.

The investment committee can in its sole discretion adjust investment allocations in a particular instance (a) if it concludes that for good reason it would be appropriate to do so, or (b) in order to accommodate relevant contractual obligations, in each case in a manner that is consistent with the general principles described in the Allocation Policy.

#### *Commonfund's Limited Opportunity Policy*

In addition, the allocation of opportunities between Commonfund Capital's clients and clients of its affiliated advisers will be made pursuant to Commonfund's Procedures Regarding Allocation of Limited Investment Opportunities Between Affiliates. This policy relates only to those opportunities that are limited in the amount of total investment they offer to Commonfund Capital. These could be funds managed by external Managers that have capped the total amount of investor capital they will take, whether by choice or in response to regulatory requirements. Alternatively, these could also be opportunities relating to investments directly managed by Commonfund Capital, which could be limited in amount for a wide variety of reasons.

Commonfund's Procedures Regarding Allocation of Limited Investment Opportunities Between Affiliates (which has been adopted by Commonfund Capital and by its advisory affiliate Commonfund Asset Management) provides that an intercompany special committee will allocate such opportunities among advised funds or accounts for whom such opportunities are deemed appropriate. The committee will take into account relevant factors, including:

- whether, when the opportunity is to invest in a fund operated by an external Manager, the investing fund is one of series of similar funds that have previously invested in predecessor funds offered by the same Manager;

- the inception dates of the advised funds or accounts;
- the relative amounts of total capital in such funds or accounts;
- the commitments and disclosures made to such advised funds or accounts;
- the investment strategies and any investment guidelines of such advised funds or accounts;
- the risk profiles of the advised funds or accounts; and
- any other factors that Commonfund Capital and its affiliates believe in good faith will result in a fair allocation.

In making such determinations, Commonfund Capital and its affiliates will not give priority to their own business interests or convenience, or the business interests or convenience of their respective employees.

#### Cross-Transactions and Warehoused Investments

Commonfund Capital can, from time to time, to the extent permitted by law and applicable investment guidelines, cause investments to be transferred from one client to another (whether between Funds or client accounts), when it believes that such a transaction serves the investment programs of each client. Such transactions (sometimes called “cross transactions” in the financial industry) create the possibility that, based on the subsequent performance of the asset in question, one of Commonfund Capital’s clients could be said to have benefitted at the expense of the other. Commonfund Capital’s practice is not to permit a cross-transaction unless it has confidence in the current valuation of the assets to be transferred, based on objective criteria. In that manner, it seeks to ensure that, at the time of the trade, both parties are receiving appropriate value.

Commonfund Capital generally will not allow transactions between Funds and/or client accounts where it or its affiliates have a significant proprietary ownership or other economic interest in one of such accounts beyond its fees and capital commitment disclosed above. In the unusual case in which it would go forward with such a transaction, Commonfund Capital would ensure that it complies fully with applicable statutes and SEC regulations relating to so-called “principal” transactions.

In addition, the Funds are permitted under certain circumstances to make investments on behalf of other Funds (normally, the next Fund to be offered within the same private capital strategy), with the intention that these investments will be transferred after a short period of time. A pre-determined interest rate is paid to the investing Fund prior to the transfer to such other Fund on costs incurred, but the original investing Fund will not receive any price appreciation or other income as a result of the investment. It is possible that another Fund with sufficient capital to acquire any “warehoused” investments will not be formed. In addition, an investment of this type (*i.e.*, an investment that is held by a Fund with the intent of transferring it to another Fund) can present conflicts of interest with respect to allocation of the opportunity presented by the investment. Such investments are not subject to the Allocation Policy described above. However, no Fund can make such warehousing investments until 75 percent of the Fund’s committed capital has been committed, invested or allocated for investment.

## Valuation

The management fee payable to Commonfund Capital is based upon the net asset value of the Funds or client accounts and the performance incentive fee is based upon net realized and unrealized appreciation. Therefore, Commonfund Capital receives compensation which is dependent on the value of investments in a Fund's portfolio or client account, including the unrealized and realized appreciation in such investments. A Fund's or client account's performance returns are also dependent on the value of investments in a Fund's portfolio or a client's account. The valuation of investments, particularly investments that are not actively traded, are traded in non-U.S. markets, are traded over-the-counter or are hard to value, is subject to the discretion of Commonfund Capital, whose determination is final and conclusive. As a result, conflicts could arise in connection with the role of Commonfund Capital in valuing a Fund's or client account's investments, and its receipt of the management fee and the allocation of the performance incentive fee as well as its presentation of a Fund's or client account's performance returns. In order to mitigate such conflicts of interest, the Fund and client account investments are valued by Commonfund Capital at fair value in accordance with the terms of each Fund's offering documents or the client account's advisory agreement and Commonfund Capital's Valuation Policy which set forth the methodology and hierarchy used for valuing the investments in a Fund's portfolio or client's account. Commonfund Capital has adopted controls and procedures regarding valuations in accordance with Commonfund Capital's Valuation Policy.

## **ADV Item 7 -- Types of Commonfund Capital Clients**

As noted in the introduction to Item 4 above, Commonfund Capital advises Funds that it manages and advises institutions that are separate account investors. The institutions that are its Fund investors or advisory clients are primarily nonprofit organizations (including educational institutions, foundations, operating charities, nonprofit healthcare organizations, and their affiliated pension plans). Commonfund Capital also accepts investments from public and corporate pension plans, sovereign entities, family offices, high-net worth individuals and others. Commonfund Capital also reserves the right to permit certain affiliated individuals to invest in its strategies.

Each of the Funds is offered through private placement, and eligibility to invest is subject to certain requirements imposed by Federal securities laws. The majority of these private Funds require that investors own more than \$25 million in investments, or otherwise are considered "qualified purchasers" for purposes of the Investment Company Act of 1940, as amended (the "Investment Company Act") and regulations promulgated thereunder. Certain Funds, which limit the number of beneficial owners to 100 or fewer and charge performance fees, only require that investors be: (i) "accredited investors" under the Federal securities laws, a definition that in most cases requires an institutional investor to have a net worth of at least \$5 million, and (ii) "qualified clients" under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The eligibility requirements of each of the Funds are described in detail in the offering and subscription materials for that Fund. In addition to these eligibility requirements, Commonfund Capital also generally requires a minimum investment of \$1 million, although it reserves the right to waive that minimum.

Commonfund Capital or its related persons can establish certain feeder Funds to address certain tax or regulatory requirements (each, a “Feeder Fund”). Each Feeder Fund, if formed, would be a limited partner of a Fund and interests in such Feeder Fund would be held by the investors who elect to participate in the Fund through such Feeder Fund. In addition, Commonfund Capital can form other alternative investment vehicles or special purpose vehicles (collectively, “AIVs”) for the purpose of facilitating certain investments by one or more Funds and/or investors.

Prospective investors are requested to refer to the governing documents of the applicable Fund for complete details on any Feeder Fund established by a Fund and the Fund’s ability to make investments through an AIV.

As previously described, Commonfund Capital also provides investment advisory services to institutional investors pursuant to separate account mandates.

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

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

As noted in the introduction to Item 4 above, Commonfund Capital primarily executes its investment strategies through Managers. Arrangements with Managers most often take the form of investments by the Funds in underlying partnerships (or other types of commingled investment vehicles) managed and operated by Managers, but could also take the form of separate accounts with the Managers. In addition, Commonfund Capital directly manages certain assets, including direct investments in private companies typically structured as co-investments alongside investments in those companies by partnerships advised by Managers utilized by Commonfund.

Commonfund Capital’s management of its Funds is focused principally on the selection and ongoing oversight of private capital Managers. In addition, Commonfund Capital seeks to achieve diversification of the Funds’ investment portfolios not only through allocating assets to multiple Managers but also by careful portfolio construction designed to create a mix of investment styles and geographic and industry sectors. Commonfund Capital selects its managers based on research regarding investment style, value addition, performance and the investment skill of the managers’ principals; Commonfund Capital can track a Manager for years before making an initial investment, performing extensive due diligence and a mix of quantitative and qualitative analysis to vet a prospective Manager. Additionally, Commonfund Capital, through its industry contacts, provides clients the opportunity to invest in new private capital concepts. Our objective is to provide clients with total solutions for global private capital investing.

As part of typical qualitative analysis of potential investments, Commonfund Capital reviews and seeks out information on the backgrounds of the principals of a Manager managing the investment, including their relevant industry and strategic relationships. Commonfund Capital also analyzes a Manager’s historical performance and the history, cohesiveness and experience of the principals working together as a management team. In addition, Commonfund Capital reviews offering memoranda, limited partnership agreements and subscription documents as part of its due diligence.

Quantitative analysis is also necessary to appropriately analyze the performance of a private equity Manager. Commonfund Capital generally focuses on the historical track records of a Manager. Additionally, where relevant, Commonfund Capital sorts and analyzes the relevant attribution of investment results by individual Manager, as well as by relevant investment focus, geography, industry and stage. At times, Commonfund Capital also considers a Manager's prior valuation of individual portfolio companies to form a perspective on the adequacy and appropriateness of such Manager's valuation policies.

The confidential private placement memorandum or other similar principal disclosure document relating to each Fund (together with any supplements, subscription agreements, partnership agreements or other related materials, the "offering documents") includes detailed additional information of the investment strategy, operations and potential risks of that Fund and should be carefully reviewed by each investor.

For a summary description of the principal risks relating to the investment strategies employed by Commonfund Capital, please see *Principal Risks of Investing* below.

For a more detailed description of these and other applicable risks, please see the disclosure (including the section of the confidential offering memorandum typically entitled "*Certain Risk Factors*") in the respective offering documents for each Fund.

### *Investment Strategies*

Depending on the investment mandate of its client, Commonfund Capital focuses on eight major types of investment strategies: (i) global private equity; (ii) global venture capital; (iii) emerging markets; (iv) natural resources; (v) multi-asset; (vi) distressed strategies; (vii) secondary resale investments in private capital funds; and (viii) co-investments in private capital portfolio companies. Each is explained below.

Each of these investment strategies focuses principally on investments that are private (*i.e.*, not listed on any public exchange). The objective of each is to earn returns above those on publicly-traded securities over a long-term horizon (usually seven to 10 years) and further diversify the corresponding public-market components of an investor's overall portfolio. Of course, there can be no assurance that this objective will be met. Some of the Funds employ multiple strategies, or subsets thereof.

Investments normally are structured either as: (i) commitments to investment funds (usually structured as partnerships), operated by Managers, made either on a primary or secondary resale basis; or (ii) direct investments (principally structured as co-investments in private companies alongside Managers with whom Commonfund Capital has a long-standing relationship). However, Funds can also use other appropriate structures. After Commonfund Capital causes a Fund to make a commitment to an investment fund, third-party Managers are typically responsible for the day-to-day investment decisions of the funds they operate. With the exception of direct investments, Commonfund Capital's responsibilities with respect to private capital investments generally involve selection, evaluation, oversight and monitoring of such third-party Managers, and Commonfund Capital does not generally have input into the investment decisions



made by outside Managers.

### **Global Private Equity**

Commonfund Capital's global private equity strategy offers investors the opportunity to invest in a wide variety of transactions involving domestic and global companies, such as growth equity financing, leveraged buyouts, industry consolidations, recapitalizations, restructurings and distressed situations. Our private equity strategies aim to invest with funds offered by leading private equity Managers who combine strategic operating and financial expertise. Commonfund Capital's global private equity strategy focuses in particular on Managers who invest in a wide range of middle-market companies. In addition, our global private equity strategy focuses on Managers that increase operating efficiencies, make strategic acquisitions, expand product lines and/or enter new markets, recruit senior managers and formulate appropriate strategy and governance across select geographic regions around the world.

### **Global Venture Capital**

Commonfund Capital's global venture capital strategy aims to give investors the opportunity to earn long-term capital appreciation by investing in earlier-stage, high-growth private companies from around the world, primarily in the information technology and healthcare. Client accounts employing this strategy seek to diversify their investments with Managers by stage, strategy, geography, industry and vintage year.

In particular, Commonfund Capital executes its global venture capital strategy through Managers located around the world. Of course, there can be no assurance that Commonfund Capital will continue to be able to access all of the Managers with whom it has invested in the past. In addition to seeking to invest with established venture managers, our venture capital strategy also invests with a limited number of newer venture managers, both in the U.S. and globally.

### **Emerging Markets**

Commonfund Capital's emerging markets strategy seeks to afford investors the opportunity to achieve long-term capital appreciation via private equity and venture capital investments focused specifically in the emerging markets (*e.g.*, China, India, Latin America, Southeast Asia, South Korea, Central and Eastern Europe, Turkey and other select emerging market countries or regions). This strategy aims to invest in funds focused in the emerging markets and offered by established private equity and venture capital Managers, along with a limited number of new Managers. Commonfund Capital expects that capital commitments will be made to funds with different industry and stage of investment focuses, and with a broad geographic scope throughout the emerging markets.

## **Global Natural Resources**

Commonfund Capital's natural resources investment strategy focuses on private investments in the oil and natural gas production, oilfield services, power generation and other natural resources related industries, including energy infrastructure, clean energy, mining and mineral extraction, and timber. The preponderance of our natural resources investments are in companies based in the U.S and Canada. Commonfund Capital's natural resources strategy seeks to diversify across different industries, stages of corporate development, including different levels of the energy production and distribution industry, and styles of investment within the natural resources sector. Our natural resources strategy encompasses both private equity strategies (acquisition, development, recapitalization and restructuring transactions) and property acquisition strategies (such as direct investments with Managers focusing on the drilling of proved reserves or similar investments).

## **Multi-Asset Strategy**

Commonfund Capital's multi-asset strategy seeks to expose small and medium-sized institutions to a broadly diversified private capital investment strategy, through exposure to Commonfund Capital's core U.S. private equity, global private equity and global venture capital strategies described above, as well as in separate commitments to Managers falling generally within these investment strategies.

## **Distressed Strategy**

A distressed strategy focuses on turnaround and distressed investing by pursuing trading and financing strategies both in the U.S. and globally. This generally involves the purchase or sale of credit obligations of companies that are experiencing some type of financial reorganization.

Commonfund Capital (along with its advisory affiliate, Commonfund Asset Management) employs several strategies under its distressed strategy umbrella, including seeking managers focused on obtaining blocker positions in the senior layers of a company's capital structure to influence the restructuring process, taking advantage of major shifts in public distressed markets or providing financing to distressed companies.

The availability of distressed investing is a function of supply and demand, with greater opportunities existing when the supply of troubled credits is high and investor demand is low. Commonfund Capital's investment team strives to seek managers that can take advantage of market dislocation and supply/demand imbalances in different regions of the world and at different points in the economic cycle to produce a portfolio with a desired risk/return characteristic.

Management of certain existing distressed debt Funds, which are generally closed to new investment, formerly managed by Commonfund Capital's advisory affiliate, Commonfund Asset Management, has been transferred to Commonfund Capital. In particular, Commonfund Capital offers distressed strategies involving private, less liquid investments whereas Commonfund Asset Management offers Funds that pursue a distressed strategy in securities that are generally marketable.

## **Secondary Strategy**

Commonfund Capital's secondary strategy seeks to acquire investments principally in secondary market transactions in leveraged buyout, growth equity, distressed securities, mezzanine financing, natural resources, and venture capital investment funds on a global basis. The Commonfund Capital secondary strategy also invests directly in pooled investment vehicles or fund of funds. The Commonfund Capital secondary strategy also, to a lesser extent, makes direct equity, equity-like, or debt investments acquired from third parties, and acquires investments other than in privately-negotiated secondary transactions, including through the primary markets.

## **Co-Investment Strategy**

Commonfund Capital's co-investment strategy intends to invest in the global private capital markets by investing principally in privately-negotiated investments and portfolio companies primarily within the private equity sub strategy and primarily within the developed economies, including the United States and the European Union.

Commonfund Capital's co-investment strategy focuses primarily on private equity investments – privately-negotiated investments into companies that have significant business activity at the time of Commonfund Capital's investment and that are either profitable or generally expected to become profitable before Commonfund Capital exits its investment. Other types of investments, such as co-investments in the venture capital and natural resources sub-strategies, will be evaluated opportunistically. Commonfund Capital anticipates that most of its investments will be made either directly into a portfolio company or indirectly into the company through a co-investment vehicle established by the investment sponsor.

### ***Offer of Co-Investment Opportunities***

Although Commonfund Capital has not offered the investors in its Funds opportunities to co-invest with the Funds, Commonfund Capital in its discretion reserves the right to offer such co-investment opportunities to one or more (but not necessarily all) its Fund investors, or their affiliates, to operating executives, strategic investors and to other funds, private investors, groups or individuals, including other funds or client accounts managed by affiliates of Commonfund Capital; provided, however, that Commonfund Capital shall make such allocations in good faith in a manner which it believes to be fair and reasonable based on numerous factors.

Commonfund Capital or an affiliate of Commonfund Capital shall be entitled to charge management fees and/or "carried interest" with respect to any such co-investment opportunities made available.

### ***Principal Risks of Investing***

Below is a summary of the material risks of the investments strategies employed by Commonfund Capital. Please note that the offering documents for each type of Fund includes detailed additional information about risk factors and should be reviewed by each investor.

Investing in securities involves risk of loss that all clients should be prepared to bear. The possibility of total or partial loss of capital exists, and the prospective investor should not subscribe unless they can readily bear the consequences of loss.

The risks involved for any particular Fund or other client's account will depend on the investment strategy and the type of investments held in the Fund or client's account. The following are descriptions of various principal risk factors related to the significant investment strategies and methods of analysis employed by Commonfund Capital as described above.

**It is important to note that not all risks are described below. Prospective investors should carefully read the section entitled "Risk Factors" in the respective confidential private placement memorandum of each Fund, or as otherwise disclosed in the subscription agreement of an investor in a separate account.**

The following discussion of risk factors generally will not distinguish between investment managers that are affiliates of Commonfund Capital, internal portfolio managers, or Managers; they will collectively be referred to as "investment managers". Similarly, it will not distinguish between Funds managed by Commonfund Capital, separate accounts managed by Commonfund Capital or underlying funds managed by Managers selected by Commonfund Capital; they will be collectively referred to as "funds". Where the context requires us to address a risk that is more specific to a particular type of investment manager or fund, Commonfund Capital will refer to the type of manager or fund in question.

## **General Risks**

Investments in funds pursuing the types of investment strategies employed by Commonfund Capital generally involve a substantially high degree of risk, including the potential loss of the entire amount invested by an investor. Numerous factors affecting the performance of investment strategies such as inflation, interest rates, market prices for public securities, governmental actions and long term economic trends are outside the control of investment managers and can adversely influence the value of investments.

The success of an investment will be affected by general economic and market conditions in the United States or other countries in which investment managers invest. General economic and market conditions include interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including tax laws, securities laws, bankruptcy laws or accounting standards), trade barriers, currency exchange controls, and national and international political circumstances. Any of the foregoing conditions could have a material adverse effect on investment strategies. In addition, predictions about general economic and market conditions are uncertain and the impact of such factors will be larger or smaller depending on the types of securities a fund owns and the markets in which they trade.

Commonfund Capital performs due diligence on potential investments by the Funds but cannot provide assurance that any such investment will be successful. Further, the scope of due diligence performed is limited by restrictions imposed by the underlying investment manager or the

operating company itself as a result of truncated timing (*e.g.*, in respect of certain secondary and co-investment opportunities). Despite the rigorous diligence process employed by investment advisers and the ongoing monitoring of investment managers, the risk exists that the assumptions made in connection with a particular investment decision might be incorrect or a particular investment strategy will not be followed by such investment managers.

As stated above, the underlying portfolio companies are typically private companies with no publicly-traded securities. There is no assurance that the private investment managers will be able to find buyers for these private companies or that there will be another exit path, such as an initial public offering (“IPO”).

An investment manager’s identification of investment opportunities involves a high degree of uncertainty and is based on a subjective decision-making process. Thus, there can be no assurance that investment managers will be able to identify suitable investment opportunities and, even when an opportunity is identified, there is a risk that the opportunity will not be properly valued, particularly with respect to secondary market transactions, and/or will not achieve targeted rates of return. The possibility of partial or total loss of capital exists with respect to any fund, and prospective investors should not subscribe for interests in any such fund unless they can readily bear the consequences of such loss.

An investment in a fund is not necessarily a diversified investment. Although Commonfund Capital allocates assets to multiple underlying funds, there can be no assurance that diversification will be achieved. A fund can invest a large percentage of its assets in securities issued by or representing a particular issuer, industry or type of security, investment strategy or type of risk exposure, without any limitation imposed by investment managers. Any such concentrations would magnify the effect of the realization of risks associated with such investments as compared to a more diversified account. Similarly, if a fund invests in a small number of issuers, a change in value of any single investment held by a fund would affect the value of a fund more than it would if the fund held a greater number of investments.

A fund that is recently formed might not have any operating history based on which the fund’s performance can be evaluated. Further, investment managers might not have a previous track record or operating history. Similarly, the past performance of a fund is not indicative of future results, and no assurances can be made that profits will be realized or that losses will not occur.

An investment in a fund can have limited liquidity since participating shares are likely not freely transferable and in fact are sometimes subject to substantial restrictions. Clients should recognize that it is difficult to value illiquid investments and valuation involves subjective judgment and consideration of complex factors. Further, a fund might not be able to dispose of investments in underlying portfolio funds at the time that it makes the decision to do so or when it is most advantageous for the fund because of restrictions or prohibitions on withdrawal that are typical in private capital investment funds, which might result in significant loss of capital.

The funds in which assets are invested are likely not to be registered as investment companies. Thus, in such cases investors will not be provided the protections associated with the Investment Company Act. As a result, investors will not be provided various protections (which, among other

things, could include limitations on leverage or limitations on transactions between an investment company and its affiliates) offered to more highly regulated/registered funds. Further, certain investment managers might not be registered under the Advisers Act.

Commonfund Capital, on behalf of certain Funds, can engage in bank borrowing to leverage its investments. Although the general partner of the Fund would seek to use leverage in a manner it believes is prudent, the use of leverage involves a high degree of financial risk. Borrowings by the Fund have the potential to enhance overall returns that exceed the Fund's cost of borrowed funds; however, borrowings will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's spot cost of borrowed funds.

The Fund would typically be required to pledge assets when borrowing, which, in the event of an uncured default, could affect the Fund's operations, including preventing the Fund from conducting a repurchase of its interests. In addition, the terms of any borrowing could impose certain investment restrictions on the Fund. The more leverage is employed, the more likely a substantial change will occur, either up or down, in the value of the instrument.

Certain investments involve the use of debt financing. If the underlying portfolio companies are unable to generate sufficient cash flow to service such debt, they could become subject to contractual or other remedies available to the lending institutions, which could include bankruptcy and significant or total loss of equity capital in such investments. Additionally, the availability of sufficient sources of debt capital upon attractive terms is likely to be an important factor in maximizing the equity growth of many underlying portfolio companies. This availability, will, in turn, be dependent on general economic conditions, the condition of the relevant industry, the condition of the financial services industry, and a variety of other factors beyond the control of the Funds and investment managers.

The Fund agreements contain confidentiality provisions intended to protect proprietary and other information relating to the Funds and their investments. To the extent that such information is publicly disclosed, competitors of the Funds, target investments and/or competitors of the underlying operating companies, and others, can benefit from such information, thereby adversely affecting the Funds, the general partners of such Funds, the target investments, the underlying operating companies, and the economic interests of the limited partners. In addition, any such impermissible disclosures could adversely affect the Funds' interests in the related target investments and, in turn, the performance of the Funds. Further breaches of confidentiality could affect the Funds' ability to have access to target investments.

From time to time, the general partners of the Funds, Commonfund Capital, or their respective affiliates could come into possession of inside information concerning specific companies. Under applicable securities laws, the general partners of the Funds and Commonfund Capital might be unable to use such information for investment purposes, and this could constrain the Funds' investment flexibility.

## **Material Risks Relating to the Fund-of-Funds Structure**

The following are certain risks related to Commonfund Capital's use of a "fund-of-funds" or "manager of managers" investment strategy, whereby assets are principally invested in funds managed or operated by third-party investment managers selected by Commonfund Capital.

The task of identifying investment opportunities, monitoring such investments, and realizing a significant return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage, and realize on such investments successfully. There is no assurance that Commonfund Capital will be able to return contributed capital or generate returns for investors. Further, investments will be selected by the investment manager, and investors will have no opportunity prior to investing to review or evaluate the specific investments selected by the investment managers. Fund investors will therefore be relying on the skill and experience of the investment professionals in selecting investment opportunities. In addition, the Fund will have no control over the selection of investments in portfolio companies, which will be made by the Managers. The Manager will attempt to evaluate each underlying investment based on an analysis of investment

Most investment managers in the types of investment strategies pursued by Commonfund Capital (including Commonfund Capital itself) are compensated through incentive arrangements. Under some of these arrangements, the investment manager benefits from appreciation, including unrealized appreciation, in the value of the account, but not be similarly penalized for realized losses or decreases in the value of the account. Such fee arrangements create an incentive for the investment manager to make purchases that are unduly risky or speculative. Further, a Fund might be required to pay an incentive fee to a particular investment manager (based on gains in the assets committed to that investment manager) even though the Fund as a whole might have suffered a loss. Additionally, Commonfund Capital itself is also compensated through an incentive arrangement. As with other investments, this incentive arrangement could create an incentive for Commonfund Capital to cause the Fund to make riskier and more speculative investments with investment managers than it would otherwise make in the absence of such performance-based compensation.

Some investment managers invest in publicly-listed securities. The investment managers will likely not be able to exert the same degree of control over such investments as they can with similar private investments, as the issuers of such securities are subject to influence by other significant shareholders. Additionally, some investment managers use special investment techniques that subject the Fund's investments to certain risks and increase the adverse impact to which the Fund is subject. Certain, but not all of these techniques, include: short selling, leverage, uncovered option and futures transactions, currency transactions, derivatives, warrants, reverse repurchase agreements, swap agreements, lending of portfolio securities, distressed securities and "junk" debt securities. The prices of derivative instruments can be affected by such volatility as well as by any market disruption and unanticipated changes in interest rates, securities prices, or currency exchange rates, all of which could expose the portfolio company to the risk of material financial loss or reduce the Fund's ability to hedge currency and other risks. In addition, the Fund will be at risk for the performance of the counterparty on the derivative transaction. In the event that the counterparty defaults, the cost of replacing the transaction or the counterparty could be significant.

Competition for the most attractive investments is substantial and will tend to limit the number and quality of attractive opportunities. Some of the Fund's competitors have more relevant experience, greater financial resources, a broader network and more personnel than Commonfund Capital. This competition can also affect pricing and valuation of transactions, which could affect returns.

Each investment manager will make its investment decisions independently. Thus, investment managers can on occasion be competing with each other for similar opportunities at the same time and take opposite positions from those taken by the other investment managers in the same or in a related investment. The impact of such competition or such competing or overlapping positions can be to reduce the overall diversification of the Fund's investment portfolio.

Funds utilize a so-called "fund-of-funds" or "multi-manager" investment strategy, pursuant to which assets are generally invested with third-party investment managers. Investment management fees are charged to the Fund by both Commonfund Capital and the third-party investment manager. As a result, clients will bear multiple investment management fees, which can include performance fees or incentive fees, which in the aggregate will exceed the fees which would typically be incurred by an investment with a single investment manager. Further, such compensation arrangements can create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect.

### **Material Risks Applicable to Global Private Equity**

Private equity investments in portfolio companies can be materially affected by the legal, fiscal, taxation and regulatory regimes in the jurisdictions and sectors in which the investments are made or the portfolio companies operate. Changes in economic conditions can occur that have an adverse effect on private equity investments, such as rising interest rates, downturns in the economy or deteriorations in the condition of an industry sector under which an underlying operating company operates. Due to the illiquidity of private equity investments, a private equity investment strategy will have limited ability to adapt to any such changes in economic environment, legal, fiscal, taxation and regulatory regimes, or mitigate any corresponding losses.

Some private equity investments involve a high degree of financial leverage. Even when prudently applied, increased leverage can increase the default risk or risk of insolvency for the private company.

Most private equity investments involve a high degree of illiquidity. Because relatively few potential purchasers for illiquid securities exist, especially under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, a client could find it more difficult to sell such securities when it is advisable to do so or can sell such securities only at prices lower than those that could be obtained if such securities were more widely held. Disposing of illiquid securities can involve time-consuming negotiation and legal expenses, and it could be difficult or impossible for a client to sell them promptly at an acceptable price. In addition, private equity investments are sold a number of years after the initial investment is made and there can be no assurance that an investment will be disposed of at an optimal time or price. In addition, the general partner of a fund, in its sole discretion, can



restrict the parties to whom an interest in such fund could be transferred, possibly reducing the pool of potential purchasers. Furthermore, to the extent the general partner of a fund agrees to permit a transfer, such general partner (or its designee) will have a right of first refusal to purchase all or a portion of the transferred interest. Interests in the Funds themselves will not be freely transferrable, nor typically will the Funds' investments in target investments. Most target investments will not permit redemptions, and those target investments that do permit redemptions might not permit redemptions when requested by the funds and/or impose a redemption charge on the funds. In addition, the target investments themselves usually will invest in securities that have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any applicable securities laws, and the target investments' returns will depend on their ability to dispose of the investment either through subsequent registration or some other liquidity event.

Some portfolio companies require significant additional funding after an initial investment by a fund. Inability to make a follow-on investment could dilute a fund's investment interest in a portfolio company and thereby impair the fund's ability to maximize returns on its investment. Alternatively, the investment manager could seek to fund such "follow on" investments from an affiliated investment fund, which could present a potential conflict of interest.

Private equity investments can be made in the form of minority equity investments. In these situations, there is a risk that the private equity manager will not be able to exercise sufficient control over the management of a portfolio company to ensure the successful implementation of the manager's strategy for its investment in the company.

The funds can invest in companies that are seeking to develop and bring to market new, unproven technology. This endeavor is subject to a number of risks including: failure to develop or perfect the technology as planned; obsolescence; patent infringement and similar claims that prevent the technology from being used or licensed; lack of market acceptance of the technology; and loss of key personnel. In addition, the success of a fund investing in unproven technology depends on the ability of the underlying portfolio companies to protect their intellectual property.

Commonfund Capital invests globally and in particular invests in emerging market or developing market countries. Investments in countries located outside the U.S. involve certain risk factors not typically associated with investing in the U.S. or other developed countries, including risks relating to foreign exchange rates, differences in corporate and securities regulations, potential price volatility, relative illiquidity, less developed accounting standards, less government regulation, and fewer investor protection, auditing and financial reporting standards.

A fund's investments in portfolio companies located in countries outside the United States can be denominated in local currencies. Changes in foreign currency exchange rates can affect the value of a fund's portfolio, and as a result the fund can incur costs in connection with conversions between various currencies. Investment returns could be adversely affected by fluctuations in exchange rates between the U.S. dollar and foreign currencies.

Investments in countries outside the United States are sometimes subject to substantial restrictions under corporate, securities, exchange control, foreign investment and other similar laws and regulations. Such countries could also impose various taxes on the fund.

A fund can face significant registration, settlement and custody risks in purchasing and selling securities in the certain countries outside the United States that are not normally associated with investments within the United States. In certain countries, there are significant uncertainties in the clearing and settlement process that can pose material risks to the fund.

Investments in countries outside the United States might require financing and structuring alternatives that differ significantly from those customarily employed in the United States. In addition, investments in countries outside the United States will be exposed to economic and political risks, including the potential imposition of exchange controls and restrictions on repatriation of capital and income, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation.

The capital markets and securities exchanges in countries outside the United States, particularly in emerging markets, can be less developed or less liquid than those of the United States, or be subject to greater volatility than U.S. markets, thereby potentially affecting the ability of managers to efficiently exit from portfolio investments. In addition, securities traded in certain emerging markets can be subject to risks due to the inexperience of financial intermediaries and the lack of modern technology. Additionally, delays and inefficiencies of the local postal, transport and banking systems could result in missed rights and entitlements and the loss of funds (including dividends).

If there are changes in leadership or policies (*i.e.*, nationalization, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, social instability or diplomatic developments) of a country, such changes could adversely affect a country's economy and the Fund's investments. In addition, any change in the leadership or policies of a country can halt the expansion, or reverse the liberalization, of foreign investment policies now occurring and can adversely affect existing and potential investment opportunities for such Fund.

Laws and regulations of countries in which a fund invests could change quickly and unpredictably and impose restrictions or approvals that do not exist in countries with more developed market economies. These restrictions could include capital controls, which can limit an investment manager's ability to return capital to its investors.

Some of the countries in which a fund invests could experience very high and variable rates of inflation. If rapid changes in inflation were to occur, it could have an adverse effect on the performance of the fund.

Rules in countries outside the U.S, particularly the emerging markets, with respect to regulating ownership, control and corporate governance of domestic companies are sometimes inadequate and sometimes confer little protection on a fund. Anti-fraud and anti-insider trading legislation in these countries can also be rudimentary. There might be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio company's assets, or otherwise materially affect the value of the portfolio company without the consent of the portfolio company's shareholders.

In countries outside the United States, the concept of fiduciary duty on the part of the management or directors of companies to shareholders is sometimes limited. Such countries might have no system of derivative or class action litigation and, accordingly, redress for violations of shareholder rights could be unavailable in certain instances. Anti-dilution protection could also be very limited.

Countries outside the United States, particularly the emerging markets, can have less developed accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, as well as less developed legal and court systems. Accounting, auditing and financial reporting standards in certain countries might not fully conform to international accounting standards. The financial statements of a portfolio company in some emerging markets might not reflect its financial position or results of operations as they would be reflected if the financial statements had been prepared in accordance with generally accepted accounting principles in developed countries. In addition, for a portfolio company that keeps accounting records in its local currency, inflation accounting rules can require, for both tax and accounting purposes, that certain assets and liabilities be restated on the company's balance sheet in order to express items in terms of currency of constant purchasing power. Inflation accounting could indirectly generate losses or profits. Consequently, financial data can be materially affected by restatements for inflation and not accurately reflect the actual financial condition of those companies. Substantially less information can be publicly available about companies in these countries than is generally available about companies in the United States or certain other countries.

Many of the laws that govern private and foreign investments, securities transactions, creditors' rights and other contractual relationships in emerging markets are new, largely untested and not fully developed. As a result, a fund could be subject to a number of unusual risks, including contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. There can be no assurance that difficulties in protecting and enforcing rights will not have a material adverse effect on the fund and its operations.

### **Material Risks Relating to Global Venture Capital**

Venture capital investments involve many of the material risks discussed above, including the risks relating to investments outside the United States that are discussed in the preceding section. In addition, the material risks discussed in this section are particularly relevant to venture capital strategies and should also be noted.

As with other types of investment strategies, an investment manager utilizing a venture capital investment approach has very little control over the change in value of a venture investment. Early stage investments can create value inherent in particular companies through substantial effort and expense. Often the success of the investment depends not only on the investment manager but also upon actions of other key individuals, or external factors including political and economic developments over which investment managers have very little control.

Significant returns earned in a small portion of venture capital investments have largely been a result of the completion of successful initial public offerings (“IPOs”) or acquisitions that have permitted venture investors to sell their equity interest at multiples of original costs. There can be no assurance that at the time a given venture investment matures, the public securities markets will support an IPO or permit such returns or that the venture-backed company’s fundamentals will warrant such returns.

Venture capital investments are typically made in firms that are seeking to develop and bring to market new, unproven technology. This endeavor is subject to a number of risks, including: failure to develop or perfect the technology as planned; obsolescence; patent infringement and similar claims that prevent the technology from being used or licensed; lack of market acceptance of the technology; and loss of key personnel.

Many venture stage companies face significant competition from other companies, both established and start-up. Growth and development of venture capital companies depends on the regular injection of capital and financing beyond that which a particular investment manager is prepared to invest and such financing might not be available. Often, venture financing agreements contain provisions that penalize an investor for not participating in a follow-on investment.

The success of certain venture stage companies is dependent upon obtaining certain government approvals. Companies in the biotechnology industry typically require agency approval before the product is made public. If the venture company is delayed in procuring such approvals, it could experience material adverse consequences, which could negatively affect the performance of a fund. Moreover, the current regulatory framework could change or additional regulations could arise at any stage during the product development phase of a venture stage company, which can affect the company’s ability to obtain approval of its products.

### **Material Risks Relating to Emerging Markets**

Emerging market investments involve many of the material risks discussed above, including the risks relating to global private equity and venture capital investments that are discussed in the preceding sections. In addition, the material risks discussed in this section are particularly relevant to emerging market strategies and should also be noted.

There is no certainty that, to the extent economic and political reforms are necessary in countries (in particular emerging market countries) in which a fund invests, progress made with economic and political reforms in such countries will be ultimately successful or that the changes made will remain in place. The ultimate extent and timing of reforms will likely proceed at a different pace in each such country and are susceptible to potential weakening from economic hardship, popular dissatisfaction, and social or ethnic instability.

Organized crime and corruption, including extortion and fraud, remain common in many of the emerging markets. Threats or incidents of crime could cause or force a fund to cease or alter certain activities or liquidate certain investments which could cause losses or otherwise have a material adverse effect on the fund.

There is a risk that the assets of a fund or the portfolio companies will be fraudulently misappropriated, and such misappropriation could have a material adverse effect on a fund. The risk of misappropriation could be greater in emerging markets than in developed markets. Such misappropriations can be difficult to identify in a timely manner and, once identified, adequate legal remedies might not be available, or could be ineffective if the assets or proceeds in question are not recoverable.

Many of the laws that govern private and foreign investments, securities transactions, creditors' rights and other contractual relationships in emerging markets are new, largely untested and not fully developed. As a result, a fund could be subject to a number of unusual risks, including contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. There can be no assurance that difficulties in protecting and enforcing rights will not have a material adverse effect on a fund, a separate account and/or its or their operations.

Currency risk remains an important risk for emerging markets. Some emerging market countries such as China still maintain some element of currency control. Consequently, the value of investments made in the local currency can fluctuate based on the actions of the emerging market government.

### **Material Risks Relating to Natural Resources**

Investments in natural resources involve many of the material risks discussed above. In addition, the material risks particularly associated with natural resource investments are summarized in this section.

Natural resource investments involve significant risk. A fund employing a natural resources investment strategy will concentrate its investments within a particular industry and such an investment can be subject to greater market fluctuations than if investments were in a broader range of industries. Returns on investments will depend on the sale price of and demand for natural resources, particularly oil, natural gas, and timber, the prices of which fluctuate over a wide range and are unpredictable. Prices are affected by changing economic conditions, governmental regulations, weather, production controls imposed by foreign producers and Organization of the Petroleum Exporting Countries ("OPEC"), storage levels and competition from alternate energy sources. Prices are also affected by political uncertainties, including war risks. Price decreases can reduce returns available to a fund.

A natural resources strategy involves selecting investment managers investing in exploration, development, production, processing, delivery or marketing of oil or natural gas as well as similar activities for other natural resources. The hazards and risks normally incident to these activities include loss of well control, blowouts, pollution and fires, each of which could result in damage to property or personal injury including loss of life. Operators within these industries are unlikely to be fully insured against all these risks. All drilling activities also entail the risk that

drilling might not lead to the recovery of oil or natural gas in commercially useful amounts. In the case of exploratory drilling there is a substantial chance that recoverable assets will not be found. In the timber industry, risks include damage to trees from insect infestation, fire and disease. It is not customary in the industry for operators to have the ability to insure against these risks. The investment in, and harvesting of, other natural resources carry similar risks to those listed for oil and natural gas and timber in the preceding sentences.

Many natural resources-related companies face significant competition from other firms. This competition can come in the form of cheaper access to the natural resource, better access to distribution pipelines, a less expensive labor pool, fewer government regulations, greater access to capital funding and other competitive advantages.

Investments in natural resources involves the use of debt financing. If the underlying portfolio companies are unable to generate sufficient cash flow to service such debt, they can become subject to contractual or other remedies available to the lending institutions, which could include bankruptcy and significant or total loss of equity capital in such investments. Additionally, the availability of sufficient sources of debt capital upon attractive terms is likely to be an important factor in maximizing the equity growth of many underlying portfolio companies. This availability will in turn be dependent upon general economic conditions, the condition of the relevant natural resources industry, the condition of the financial services industry and a variety of other factors beyond the control of the fund and target investment managers

The oil, natural gas, timber and other natural resources industries are subject to federal, state, local and sometimes foreign environmental laws, regulations and administrative rulings which could increase the operating costs and cause delays on a project. In recent years, environmental regulation has, as a general matter, increased significantly and the enforcement of laws and regulations in this field has become more vigorous, thereby reducing the properties that might otherwise be available for natural resources production.

Historically, the markets for oil and natural gas have been highly volatile and such volatility could continue in the future. In particular, market volatility has increased markedly over the past several years as a result of a number of factors outside the control of operators, including changing economic conditions, governmental regulations, seasonal weather conditions, production controls imposed by foreign producers and OPEC, discovery and access of new oil and natural gas basins, storage levels and competition for alternative energy sources. Prices are also affected by political uncertainties, including war risks. Any significant decline in the price of oil or natural gas could adversely affect a fund's profitability and if sustained, could impair the ability of portfolio companies to meet their financing obligations. In addition, there are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and their values. Any significant variance in such assumptions could materially affect the estimated quantity and value of reserves.

The success of concentrating on the timber industry will be affected by the cyclical nature of the forest products industry. Prices and demand for logs have been, and in the future can be expected to be, subject to cyclical fluctuations as a result of changing economic conditions, declining demand for paper and pulp products, government regulations, weather conditions and substitutes

for wood-based products. In addition, the revenues, net income and cash flow of timber companies will be dependent to a significant extent on their ability to harvest timber at adequate levels. There can be no assurance that a timber company will achieve harvest levels necessary to maintain or increase revenues, net income or cash flows.

The business of exploration for metals, minerals and other commodities involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At the time of investment by a fund in a portfolio investment, it is not necessarily known if such portfolio investment's properties have a known body of ore of commercial grade. Unusual or unexpected formations, formation pressures, fires, explosions, rock bursts, power outages, labor disruptions, flooding, cave-ins, landslides and the inability of such portfolio investment to obtain suitable machinery, equipment or labor are all risks which can occur during exploration for and development of mineral deposits. Substantial expenditures are required in order to establish reserves through drilling, to extract metal from ore, and to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that portfolio investments of a fund will be able to obtain the funds required for development on a timely basis or at all.

Funds utilizing a natural resources strategy can make investments in renewable energy projects. The market for renewable energy is emerging and rapidly evolving and its future success is uncertain. If renewable energy technology proves unsuitable for widespread commercial deployment or if the demand for renewable energy products fails to develop sufficiently, a fund's investment in renewable energy might be adversely affected. While renewable energy projects currently enjoy support from governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support could have an adverse effect on the development and construction of such projects.

### **Material Risks Relating to Distressed Strategies**

Investments by Commonfund Capital in distressed companies involve many of the material risks discussed above. In addition, the material risks discussed in this section that are particularly relevant to a distressed investment strategy should also be considered by prospective investors.

Distressed investing means allocating capital to companies that are in some form of distress themselves. This distress can come from an over-leveraged balance sheet, a bloated cost structure or the loss of a key client or market segment. Investing in distressed securities means taking on the operating distress of the company and working to find a solution to the company's problems.

Investing in the securities of distressed companies is highly risky. The market price of such securities is subject to extreme volatility and such securities are more reliant on market timing than other types of securities. A distressed investment strategy focuses on the purchase or sale of credit obligations of companies in a weak financial condition, experiencing poor financial or operating results or that are involved in bankruptcy or reorganization proceedings. Thus, some of these companies do not show any returns for a lengthy time period or ever. Investments in these types of companies can involve substantial financial risks, including total loss.

A fund employing a distressed strategy can invest in below investment grade fixed-income securities such as commercial paper and high yielding debt securities. These securities face ongoing uncertainty and exposure to adverse business, financial or economic conditions which could lead to an issuer's inability to timely meet interest and principal payments. In addition, below investment grade fixed-income securities reflect individual corporate events to a greater extent than do higher rated securities. Companies issuing these securities are also generally highly leveraged, and any general economic downturn could adversely impact the ability of the issuer of such securities to repay principal and pay interest and thereby increase the risk of default for such securities.

The securities of a particular fund employing a distressed strategy can be issued by companies that have filed for bankruptcy, or that file for bankruptcy after the securities are acquired. Bankruptcy proceedings are adversarial and there are many unanticipated events that can occur. There is no guarantee that a bankruptcy court will approve actions which is favorable to a fund. Further, there is a possibility that the fund's claims could be subordinated to the claims of other claimants.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the fund's influence with respect to a class of securities can be lost by the increase in the number and amounts of the claims of the class.

In many instances, the duration of a bankruptcy case can only be roughly estimated and bankruptcy cases often last for long periods of time. This can have an adverse impact on a company's business and if a company is forced to dispose of assets, the value realized on the disposition of assets might be less than if the assets were disposed of outside of the bankruptcy context.

A fund employing a distressed strategy can purchase creditor's claims after the commencement of bankruptcy proceedings. Therefore, it is possible that a bankruptcy court could refuse to allow such acquired claims to be voted in connection with a plan of reorganization where it determines that such claims have been acquired for an improper purpose.

In addition, distressed investments in non-U.S. markets are associated with additional risks. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations which could have substantial impact on non-U.S. dollar denominated debt securities. At times, there is less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S., and certain foreign companies are potentially subject to accounting, auditing and financial reporting standards and requirements that are not used in the U.S. Lower quality information and reduced transparency can make it more difficult to select and manage investments in non U.S. markets and many securities traded on these markets are less liquid and their prices more volatile than securities of comparable United States companies.



Investments in distressed companies outside the U.S. can involve additional risks; the bankruptcy laws of such countries are likely to differ and the process of liquidation can be uncertain or under-developed. Overall, it might be difficult to enforce creditor's rights in a foreign jurisdiction as compared to the United States. Although most European and many Asian legal systems recognize basic commercial relationships and rights, some lack the extensive body of law and practice normally encountered in developed market environments. Similarly, laws and regulations in emerging markets can change quickly and unpredictably and attempts at judicial enforcement of judgments, laws or regulations can encounter significant delays. In some cases, foreign courts can give preferential treatment to domestic claimants over foreign claimants, including U.S. claimants.

Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case could involve substantial litigation. The risk of litigation becomes greater where investment managers exercise control over a company's direction. The expense of defending against claims by third-parties would thus be borne at least partially by the fund.

### **Material Risks Related to Secondary Strategy**

Investments in secondary interests involve many of the material risks discussed above. In addition, the material risks particularly associated with secondary investments are summarized in this section.

There is no established market for secondary investments, notwithstanding the increasing volume of sales of secondary investments. Instead, the secondary private equity market consists of an informal network of secondary brokers who help to intermediate secondary sales between sellers and buyers. Moreover, the market for secondary investments has been evolving and is likely to continue to evolve. It is possible that competition for appropriate secondary investment opportunities can increase, thus reducing the number of secondary investment opportunities available to a fund and adversely affecting the terms upon which investments can be made. Accordingly, there can be no assurance that a fund will be able to identify sufficient secondary investment opportunities or that it will be able to acquire sufficient secondary investments on attractive terms.

In the cases where a fund acquires an interest in a secondary transaction, the fund can acquire contingent liabilities of the seller of the interest. More specifically, where the seller has received distributions from the relevant private capital fund and, subsequently, such private capital fund recalls one or more of these distributions, the fund (as the purchaser of the interest to which such distributions are attributable and not the seller) might be obligated to return monies equivalent to such distributions to the private capital fund. While the fund could, in turn, be able to make a claim against the seller for any such monies so paid to the private capital fund, there can be no assurances that the fund would have the ability to make such a claim or, if such a claim is made, there can be no assurances that the fund would prevail on such a claim. Even if the fund were to prevail on such a claim, it is possible that the seller will not have sufficient assets in order to satisfy any judgment against it.

In some instances, the fund could have the opportunity to acquire a portfolio of secondary interests from a seller on an “all or nothing” basis. Certain of the interests in the portfolio are less attractive than others, and certain of the sponsors of such interests are more familiar to the fund than others, or are more experienced or highly regarded than others. In such cases, it might not be possible for the fund to exclude from such purchases those investments which Commonfund Capital considers (for commercial, tax, legal or other reasons) to be less attractive.

Due in part to increased time pressures inherent in the secondary process, the lack of the willingness of managers and companies to negotiate the terms of the underlying partnership agreements or operating companies’ investment documents with transferees, and the limited availability of information to transferees, the scope of due diligence in connection with a secondary purchase is typically more narrow than in the case of a primary purchase, and can be truncated. Accordingly, a fund will not have the benefit of the extensive due diligence typically performed in connection with primary investments.

Investment analyses and decisions are sometimes undertaken on an expedited basis in order for the fund to take advantage of available secondary investment opportunities. In such cases, the information available at the time of an investment decision is limited, and Commonfund Capital will not have access to the detailed information necessary for a thorough evaluation of the investment opportunity.

Securities of target investments typically include limitations on transfers and can be subject to rights of first refusal. There is no assurance that the outstanding interests in the target investments that the general partner of the fund identifies can be transferred to the fund or can be transferred without triggering a right of first refusal on the part of the existing equity holders of that target investment and the fund can be precluded from buying the desired amount of such interests. The fund can incur significant expenses in furtherance of acquiring a target investment, and such target investment might not be transferred as a result of a right of first refusal. The fund could be hindered in executing its investment strategy due to such transfer limitations or the exercise of rights of first refusal.

Certain funds also have the opportunity to participate in a “stapled secondary” (*e.g.*, a secondary market purchase of an existing limited partner interest and a corresponding commitment to a new fund in formation sponsored by the same investment manager). In certain instances, the purchase of the interest in the new fund might be less attractive than the secondary market purchase of an existing limited partner interest. In such cases, it might not be possible for such fund to exclude from such purchases those investments which the general partner of such fund considers (for commercial, tax, legal or other reasons) less attractive. In addition, the fund could make a primary investment as a “toe-hold” investment, for example in an investment fund managed or advised by a manager which the general partner of the fund believes could be a source of future secondary investment opportunities or co-investment opportunities. Such primary investment could be less attractive than other investment opportunities available to the fund. Such investments are sometimes made on an expedited basis. At times, Commonfund Capital has little ability to negotiate legal documents for these opportunities.

## **Material Risks Related to Co-Investment Strategy**

Co-investments involve many of the material risks discussed above. In addition, the material risks particularly associated with co-investments are summarized in this section.

Co-investments involve a high degree of risk. The co-investment strategy seeks to make privately negotiated investments into companies that have significant business activity at the time of investment and that are either profitable or generally expected to become profitable before exiting the investment. Commonfund Capital anticipates that most of its investments will be made either directly into a portfolio company or indirectly into the company through a co-investment vehicle established by the investment sponsor. Typically, the sponsor is a private equity manager with whom Commonfund has previously committed capital.

No assurance can be given that a fund will be able to identify investments that satisfy the fund's investment objective, or if the fund is successful in identifying such additional investments, that the fund will be permitted to invest, or invest in the amounts desired, in such investments. A fund can participate in follow on operating company financings at implicit valuations lower than the valuations implicit in preceding rounds of financing. Legal disputes, involving the fund, Commonfund Capital or its affiliates, or investments and their general partners and affiliates, can arise from such financings and could have a significant adverse effect on the fund. Due in part to time pressures inherent in the co-investment process, the investment analyses and decisions can be undertaken on an expedited basis in order for a fund to take advantage of available investment opportunities. In such cases, the information available at the time of an investment decision could be limited, and the fund might not have access to the detailed information necessary for a thorough evaluation of the investment opportunity.

While Commonfund Capital believes that most of its co-investments will be completed on a no-fee, no-carry basis with regard to fees charged to the fund by the underlying primary fund managers, no assurances can be provided in this regard. In order to gain access to co-investment opportunities, a fund might be required to pay a fee and/or a carried interest, the application of which would reduce the returns to investors, and potentially magnify the "j-curve" effect. Even where a fund invests into a portfolio company on a no-fee and no-carry basis, it is common for a portfolio company to pay a range of fees to the lead equity sponsor of a transaction, including success, monitoring, consulting, investment banking and other types of fees. A fund therefore will indirectly bear a portion of these fees, even when it is investing into a portfolio company on a no-fee and no-carry basis.

If a proposed investment fails to close, there is a risk that a fund will be nevertheless required to bear expenses born by the fund or a portion of the expenses incurred by the lead equity sponsor of the transaction. Such expenses might include items such as legal fees, break-up fees or a portion of the out of pocket expenses incurred by the lead equity sponsor. Conversely, when a transaction does close, it is not expected that a fund will share in any success fees paid by the portfolio company, all of which are likely to be paid to the lead equity sponsor.

Some investments could require significant additional funding after an initial investment by a fund. Inability to make a follow-on investment can dilute the fund's interest in an investment and

thereby impair a fund's ability to maximize returns on its investment.

The sponsor manager of an investment can actively participate in the management of an investment, which could lead to legal claims or litigation against such persons. Typically, the investment will indemnify such persons against such claims, which could reduce returns and potentially require a recall of previous distributions. Such claims or litigation also could be made against a fund, or the officers and employees of Commonfund Capital.

A fund will likely hold non-controlling interests in portfolio companies and will not be able to control or effectively influence the business or affairs of such entities. Such portfolio companies could have economic or business interests or goals that are inconsistent with those of a fund, and a fund might not be in a position to influence those interests or goals or otherwise protect the value of the fund's investments in such entities. A fund's influence over a portfolio company's business or affairs likely will be further diminished when a fund invests in such portfolio company indirectly through a co-investment vehicle that is established and/or controlled by the lead equity sponsor of a transaction.

A co-investment might also concentrate a private equity portfolio in a particular industry or with a particular manager. Commonfund Capital reviews this potential concentration when reviewing potential co-investments to ensure undue concentration does not exist.

When a fund (or another CCI-managed vehicle) is not the lead equity sponsor of a co-investment transaction, it is unlikely that Commonfund Capital will have the opportunity to meaningfully influence negotiations with the underlying portfolio company or its management. In these instances, Commonfund Capital will be relying upon skills and judgment of the lead equity sponsor to negotiate favorable investment terms and Commonfund Capital anticipates that its efforts in such transactions will be focused principally on seeking to increase the alignment of a fund's interests with those of the lead equity sponsor, and to reduce the risks that follow from holding a minority equity interest in a company. No assurance can be given, however, that Commonfund Capital's efforts in this regard will be successful, or that Commonfund Capital will have any meaningful opportunity to change the terms of the documents that are presented to it by the lead equity sponsor.

When conducting due diligence, Commonfund Capital will be required to rely on resources available, including information provided by the unrelated managers with which a fund will invest and the portfolio companies. There can be no assurance that the due diligence investigations undertaken by Commonfund Capital will reveal or highlight all relevant facts that might be necessary or helpful in evaluating a particular investment opportunity, and there can be no assurance that such due diligence will result in an investment being successful. To obtain access to due diligence prepared by third parties, Commonfund Capital likely will be required to enter into agreements that limit the rights of Commonfund Capital and a fund to bring legal actions against such third party that relates to Commonfund Capital's reliance on such due diligence. Therefore, if the due diligence relied upon by Commonfund Capital contains errors or omissions, or is otherwise inadequate, neither Commonfund Capital nor a fund will have any recourse against the provider of such due diligence.

## **Other Material Risks**

### *Certain Risks Related to Borrowings*

Commonfund Capital can borrow and utilize various lines of credit and other forms of leverage on behalf of fund or client account in connection with the making of private equity investments. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the value of a fund or client account's net assets will decrease. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent leverage is employed. Leveraged transactions can also involve the posting of collateral. To the extent that a creditor has a claim on a fund or client account, such claim would be senior to the rights of the client and the investors in the funds managed by Commonfund Capital.

As previously described, Commonfund Capital can invest the assets of its investors in funds managed by third-party investment managers. The particular risk factors associated with these underlying funds are described further in their respective offering documents.

There are a number of tax considerations with respect to an investment in a fund or other client account. Tax laws are subject to change, and tax liabilities could be incurred as a result of changes thereto. Investors can be subject to U.S. federal, state, local and non-U.S. filing requirements as a result of an investment, and the fund or client account itself can be subject to U.S. federal, state, local or non-U.S. taxes. Investors and prospective investors should consult their own tax advisers to determine the tax effects of an investment in a fund or client account, especially in light of their particular situation. Further, the offering documents for each type of fund include detailed additional information about tax considerations in respect of an investment therein and should be carefully reviewed by each investor and prospective investor.

### *Cybersecurity Risks*

Commonfund Capital, the funds' and client accounts' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the funds and client accounts, despite the efforts of Commonfund Capital and the funds' and client accounts' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the funds and client accounts. For example, unauthorized third parties might attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of Commonfund Capital and the funds' and client accounts' service providers, counterparties or data within these systems. Third parties might also attempt to fraudulently induce employees, customers, third-party service providers or other users of Commonfund Capital's systems to disclose sensitive information in order to gain access to Commonfund Capital's data or that of the funds and client accounts. A successful penetration or

circumvention of the security of Commonfund Capital's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Commonfund Capital and the funds' and client accounts' service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for the underlying portfolio companies in which the funds invest, which could have material adverse consequences for such funds, and might cause the funds' investments to lose value.

## **ADV Item 9 -- Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Commonfund Capital's advisory business or the integrity of Commonfund Capital's management.

## **ADV Item 10 -- Other Financial Industry Activities and Affiliations**

### ***Relationships with Related Persons***

Commonfund Capital is 100 percent owned by TCF (through an intermediate holding company, which is also 100 percent owned by TCF). Please see the Introduction to ADV Item 4, *Commonfund Capital's Investment Advisory Business*, earlier in this Brochure for a general description of TCF.

CSI is another subsidiary of Commonfund and is affiliated with Commonfund Capital. CSI is registered as a broker-dealer with the SEC under the Securities and Exchange Act of 1934, as amended, and also with various states and U.S. territories subject to the laws of those jurisdictions. CSI is also a FINRA member firm.

CSI provides placement services and client service to Commonfund Capital and its affiliates. It does not maintain brokerage accounts or engage in trading activities. Neither Commonfund Capital nor any of its other affiliates charge current or prospective investors or funds managed by them directly for placement services provided by CSI. Registered representatives of CSI are compensated in part on the basis of net new assets they generate for Commonfund Capital and its affiliates, although none of these incentives are based on assets raised for any individual fund or investment strategy, and these incentives are paired with others based on factors including client retention.

As previously discussed, Commonfund Capital is affiliated through common control and ownership with Commonfund Asset Management Company, a SEC-registered investment adviser.

Each of these companies, like Commonfund Capital, is 100 percent owned by Commonfund (through an intermediate holding company).

Commonfund Capital and its related persons are, directly or indirectly, the general partners,

limited partners or managing members of the general partner of each of the Funds. Certain principals and related persons of Commonfund Capital spend substantially all of their business time on one or more of the Funds and also spend a substantial portion of their time with Commonfund Asset Management Company. In particular, Mark J. Anson, Chair of the Board of Directors of Commonfund Capital and on Commonfund Capital's Investment Committee, also serves as the Chief Investment Officer and President of Commonfund Asset Management and is a member of Commonfund Asset Management's Investment Committee. In addition, Timothy T. Yates, Jr., a Managing Director of Commonfund Capital, also serves as Managing Director and Head of Strategic Solutions for Commonfund Asset Management and is a member of Commonfund Asset Management's Investment Committee.

Certain Commonfund Capital principals and/or related persons have been invited to serve on the advisory boards of the underlying investment funds in which the Funds invest to provide advice on certain conflicts of interest and other matters pertaining to such underlying investment funds. There might be instances where such persons are asked to vote on issues taking the needs of all investors in such underlying investment funds into account.

Commonfund Capital U.K., Ltd., a wholly-owned subsidiary of Commonfund Capital, is authorized and regulated by the Financial Conduct Authority (United Kingdom).

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

Commonfund Capital has adopted a Code of Ethics (the "Code of Ethics") that summarizes Commonfund Capital's business ethical standards and is designed to monitor and prevent potential conflicts of interest. The Code of Ethics also requires that all employees promptly report suspected violations of the Code of Ethics or any applicable law or regulation and that they certify their compliance with the Code of Ethics on a periodic basis. Various policies have been implemented based on the principles contained in the Code of Ethics, several of which are described in this section. For instance:

The Insider Trading and Personal Securities Transactions Policy (the "Trading Policy") adopted by Commonfund Capital is designed to prevent the misuse of material, non-public information by Commonfund Capital, its principals and other employees and their affiliates. The Trading Policy also requires all employees to seek pre-approval from Commonfund's Compliance Department before engaging in personal securities transactions, subject to certain exceptions. In addition, employees are required under the Trading Policy to provide to the Compliance Department initial and annual holdings reports, as well as post-trade reporting and trade confirmations.

The Conflicts of Interest Policy adopted by Commonfund Capital requires disclosure by all employees of other activities or interests that may present actual or potential conflicts of interest, including gifts, travel and entertainment, outside business activities and service on corporate boards of directors.

A copy of the Code of Ethics will be furnished upon request. Investors may request to

review a copy of the Code of Ethics by contacting Commonfund Capital at the address or telephone number listed on the cover page of this Brochure.

### ***Participation or Interests in Client Transactions***

As general partners, limited partners or managing members of the general partners of each of the Funds, Commonfund Capital and its related persons have indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by the Funds' investments. Before Commonfund Capital makes a recommendation that a Fund buy or sell a security, all related persons that have direct ownership of such security at the time of such recommendation are required to disclose such interest to Commonfund Capital. A related person shall not be so restricted if such person's only interest in a security is indirect through one of the general partner entities, the Funds or otherwise.

In certain circumstances, related persons of Commonfund Capital can purchase interests in the same portfolio investments held by one or more Funds. All such transactions are subject to compliance with the Code of Ethics and the Trading Policy.

More information about the conflicts of interest associated with Commonfund Capital's private capital management activities can be found in Item 6.

### **ADV Item 12 -- Brokerage Practices**

Subject to the investment objectives, policies and restrictions of each Fund or other client account as set forth in the governing documents of such Fund or other client account, Commonfund Capital has typically discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each such Fund or other client account, including the selection of, and commissions paid to, brokers.

In selecting brokers, Commonfund Capital seeks to obtain the best execution of transactions for its clients under the circumstances which principally entail seeking the best terms reasonably available given the circumstances of a trade. Terms are a combination of explicit costs (commissions) and implicit costs (market impact, trading delay and opportunity cost). Commonfund Capital considers that best execution also entails such factors as reliability and accuracy of execution; speed of execution; counterparty risk; experience in liquidating distributions from private equity funds and knowledge of market conditions.

Although Commonfund Capital generally does not utilize broker-dealers to effect portfolio investments, shares of certain public companies can be received by the Funds or other client accounts as part of a general distribution from the private capital partnerships in which they invest. To date, Commonfund Capital has engaged a single brokerage firm to manage the disposition of public securities distributed to Funds, although it could engage others in the future.

### ***Brokerage: Soft-Dollar Research***

Commonfund Capital does not currently enter into any "soft dollar" arrangements with brokers



engaged to perform distribution management but reserves the right to do so in the future.

### **ADV Item 13 -- Review of Accounts**

Commonfund Capital is responsible for the review of each client account and overseeing the investment process associated with the strategies employed by such client account. Responsibility for each client account's review is assigned to the investment team primarily responsible for the management of such client account. Each such investment team comprises a senior Commonfund Capital investment professional who supervises such team's activities, including the review of client accounts.

#### ***Periodic Review***

All client accounts are reviewed by the respective Commonfund Capital investment team on a regular basis. The factors that are considered during a review include adherence to Commonfund Capital's (as well as the underlying Managers') investment policies and guidelines; performance relative to comparable funds; absolute performance; adherence to investment goals; diversification and other risk management criteria; risk tolerance, time horizon and investment strategy performance.

Investors generally receive similar information; however, to the extent that an investor requests additional information and reporting, other investors might not receive some or all items provided in response to such requests.

#### ***Client Reports***

Commonfund Capital provides written reports on a periodic basis in accordance with the applicable offering and governing documents or other written agreements with our clients. Such reports generally provide, typically on an annual basis, audited information with respect to portfolio holdings, performance and transactions. Additionally, clients generally receive, typically on a quarterly basis, written unaudited account performance reports.

### **ADV Item 14 -- Client Referrals and Other Compensation**

#### ***Compensation for Client Referrals***

Commonfund Capital does not directly compensate any entity for client referrals; however, it reserves the right to do so in the future. Additionally, Commonfund Capital has arrangements with CSI to solicit interests in Commonfund Capital's advisory services. Commonfund Capital compensates CSI for its placement activities by means of a consolidated, firm-wide revenue sharing arrangement. CSI's compensation for its placement activities will not be borne, directly or indirectly, by any Fund or investor therein.

### *Intermediaries and Third Parties*

From time to time, clients invest short term cash in money market mutual funds organized by independent, third party investment managers and funds. In such circumstances, CSI receives placement fees of five basis points from such funds or managers of amounts so placed. These fees create an indirect incentive for Commonfund Capital to recommend such short term investments; however, none of the compensation provided to the investment professionals of Commonfund Capital is based on or determined by such fees.

### **ADV Item 15 -- Custody**

Commonfund Capital is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). Commonfund Capital will not have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Custody Rule). However, Commonfund Capital will be deemed to have custody of the assets of the Funds as a result of its position as an affiliate of the general partner of each Fund.

Nevertheless, Commonfund Capital is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund to the extent it complies with the provisions of the so-called “Pooled Vehicle Annual Audit Exception”, which, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund that is a fund-of-funds: (i) distribute its audited financial statements to all investors within 180 days of the end of its fiscal year; and (ii) upon such Fund’s final liquidation, obtain a final audit and distribute GAAP-compliant audited financial statements to all investors in such Fund after completion of the final audit. To the extent Commonfund Capital does not comply with the foregoing provisions with respect to a Fund however, Commonfund Capital will, in accordance with the Custody Rule: (i) take reasonable steps to ensure that a “qualified custodian” (as such term is defined in the Custody Rule) delivers quarterly account statements to each investor in such Fund; and (ii) engage, pursuant to a written agreement, an independent public account to conduct a surprise examination of the assets and securities of such Fund at least once annually and file a certificate on Form ADV-E with the SEC within 120 days of such examination (and notify the SEC within one business day if any material discrepancies are discovered during the course of such examination).

### **ADV Item 16 -- Investment Discretion**

#### *Investment Discretion*

In the case of Funds, Commonfund Capital possesses investment discretion, both with respect to investments with Managers and with respect to investments managed directly by Commonfund Capital. Commonfund Capital has the authority to determine, without the specific consent of clients, which Managers or funds it would like to invest with and the amount to invest in each underlying fund (subject to internal guidelines which are described in the offering and governing documents relating to that Fund).

In the case of separate accounts, Commonfund Capital typically exercises investment discretion to determine the securities bought or sold, or the funds to be invested in and the amounts of such investments, as determined by the advisory agreements with each such client. Commonfund Capital can agree in such an advisory contract that it will employ reasonable efforts to comply with investment restrictions or guidelines established by such client and agreed to by Commonfund Capital.

Additionally, in the case of certain other separate accounts, Commonfund Capital can manage such accounts on a non-discretionary basis, meaning that although it would make recommendations to clients with respect to Managers and/or collective investment vehicles managed by such Managers, it will not hire such Managers and/or recommend investments in collective investment vehicles managed by such Managers without prior written approval by the client.

Both in the case of Funds and separate accounts, Commonfund Capital will generally provide investment discretion to Managers hired by it. In the case of separate accounts with Managers, investment discretion will normally be subject to investment guidelines and restrictions established in the advisory agreement with that Manager. In the case of investments in commingled investment funds offered by Managers, each such Manager's investment discretion is broad, and any guidelines or restrictions that apply to such Manager will be established for the Manager's fund as a whole, and not by Commonfund Capital as an individual investor.

### *Claims on Behalf of Clients*

Commonfund Capital's discretionary investment authority does not normally give it power of attorney to commence legal proceedings on behalf of client separate accounts (although it could do so on behalf of Funds). It is not Commonfund Capital's practice to initiate lawsuits on behalf of individual clients.

Commonfund Capital does have the discretion to participate in class action claims, claims for bankruptcy proceeds, and similar types of claims relating to investment assets held by the Funds or its institutional clients. Commonfund Capital will employ reasonable best efforts to process these claims or, where possible, cause Managers it utilizes to do so, to the extent it has been notified of the relevant proceedings or is otherwise aware of their existence.

## **ADV Item 17 -- Voting Client Securities**

### *Policies Applicable to Funds*

In managing Funds, Commonfund Capital generally invests the majority of assets of a Fund or separate account in one or more underlying commingled investment funds operated or managed by Managers.

Unless otherwise provided in any Fund's or separate account's governing documents, Commonfund Capital has the authority and discretion to vote any securities held by the Funds or

accounts on matters relating to the issuers of such securities, whether by proxy or otherwise (such voting being referred to as “proxy voting”). In the case of Fund or separate account assets that are invested in funds operated or managed by Managers, Commonfund Capital generally does not possess any right to vote securities that are owned within the investment portfolios of such funds; instead, the Fund or separate account owns interests in these funds themselves, and only possesses such voting rights as are provided to shareholders of or investors in those funds. In cases in which it selects portfolio investments itself, Commonfund Capital retains the sole discretion to vote proxies.

Commonfund Capital has established written policies and procedures designed to ensure that proxies are voted in a manner that seeks to maximize its client’s long term gains. Commonfund Capital’s Proxy Control Officer has overall responsibility to assuring compliance with these policies and procedures. Commonfund Capital maintains a record of proxy votes cast on behalf of the Funds or separate accounts and will provide a copy of its Proxy Voting Policies and Procedures to clients and investors upon request. An investor can obtain information on how Commonfund Capital voted proxies for the applicable Fund by contacting the investor’s Commonfund Relationship Officer.

When exercising its voting authority over client securities, Commonfund Capital considers all relevant information, evaluates other issues that could have an impact on the value of the security and votes with a view toward maximizing its clients’ overall long-term investor gains. Commonfund Capital votes all proxies in a prudent manner, considering the prevailing circumstances at such time and in a manner consistent with the Proxy Voting Policies and Procedures and Commonfund Capital’s fiduciary duties to its clients. In some instances, such as in the event of a conflict of interest, Commonfund Capital can determine that it is in the client’s best interest for Commonfund Capital to “abstain” from voting or not to vote at all, and will do so accordingly.

Prior to exercising its voting authority, Commonfund Capital, in consultation with the Proxy Control Officer and, where appropriate, the Chief Compliance Officer and General Counsel, reviews the relevant facts and determines whether or not a material conflict of interest could arise due to business, personal or family relationships of Commonfund Capital, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, Commonfund Capital takes steps to ensure that its voting decision is based on the best interests of the client. Commonfund Capital can, in its discretion: (i) disclose the conflict of interest to the client and defer to the client’s or Fund advisory board’s voting recommendation; (ii) defer to the voting recommendation of an independent third-party provider of proxy voting services; and/or (iii) take such other action in good faith (in consultation with Commonfund Capital’s Chief Compliance Officer and General Counsel) which would serve the best interest of the client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest could differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts could be similar (or identical).

## **ADV Item 18 -- Financial Information**

Commonfund Capital does not require the advance payment by any client of fees in excess of

\$1,200 per year, six months or more in advance; therefore, this item is not applicable.

Audited consolidated financial statements for Commonfund and its subsidiaries (including Commonfund Capital) are made available to all Commonfund investors and clients each year, via a password-protected portion of Commonfund's website ([www.commonfund.org](http://www.commonfund.org)). If your institution needs to obtain a password, please contact your Commonfund Relationship Officer.

We are not presently aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

#### **ADV Item 19 – Requirements for State-Registered Advisers**

Item 19 is not applicable to Commonfund Capital.