

March 29, 2019

388 Greenwich Street  
New York, New York 10013  
(210) 677-3781 or (800) 870-1074 (toll free in US)  
Contact: Trudi Gilligan, Chief Legal Officer  
Website: [www.privatebank.citibank.com](http://www.privatebank.citibank.com)

## **CITI PRIVATE ADVISORY, LLC**

**This brochure provides information about the qualifications and business practices of Citi Private Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at 210-677-3781 or 800-870-1074. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, by any state securities authority or any governmental authority.**

**Additional information about Citi Private Advisory, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

|   |
|---|
| <b>YOU SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THIS BROCHURE BEFORE RETAINING CITI PRIVATE ADVISORY, LLC TO PROVIDE ANY OF THE SERVICES DESCRIBED HEREIN.</b> |
|---|

**Where we refer to ourselves as a “registered investment adviser” or “registered”, that registration does not imply a certain level of skill or training.**

**Citi Private Advisory, LLC, Citigroup Global Markets, Inc. and Citibank, N.A. are affiliated companies under the common control of Citigroup Inc. Citi and Citi with Arc Design are registered service marks of Citigroup Inc. or its affiliates, and are used and registered throughout the world.**

|   |
|---|
| <b>INVESTMENT PRODUCTS: NOT FDIC INSURED * NO BANK GUARANTEE * MAY LOSE VALUE</b> |
|---|

**Item 2. Material Changes**

- The date of the last annual update was March 31, 2018

**Additional Changes**

- No additional material changes.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

# CITI PRIVATE ADVISORY, LLC

## Item 3. Table of Contents

## Item 2. Material Changes .....A

## Item 4. Advisory Business .....1

Introduction ..... 1

Services Provided: Feeder Platforms ..... 1

Services Provided: Managed Accounts ..... 4

Services Provided: Fund of Hedge Funds ..... 5

Services Provided: Fund of Private Equity/Real Estate Funds ..... 6

Services Provided: Portfolio Diagnostic Reviews ..... 6

Definitions ..... 7

Particular Investment Restrictions ..... 7

Wrap Fee Programs ..... 7

Assets Under Management..... 7

## Item 5: Fees and Compensation.....8

Fees Charged: HedgeForum, Private Equity and Real Estate Platforms ..... 8

Fees Charges: Managed Accounts ..... 8

Fees Charged: Fund of Funds..... 9

Multiple Layers of Fees and Expenses..... 9

Method of Payment of Fees ..... 9

Additional Fees and Expenses ..... 10

Payment of Fees in Advance ..... 11

Compensation of Citi Advisory Personnel..... 11

Statement of Allocation Policy and Procedure ..... 11

## Item 6. Performance-Based Fees and Side-By-Side Management .....12

## Item 7. Types of Clients .....12

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....13

Methods of Analysis..... 13

General Risks ..... 13

## Item 9. Disciplinary Information.....31

## Item 10. Other Financial Industry Activities and Affiliations.....31

|  |           |
|--|-----------|
| Other Registrations.....   | 31        |
| Material Relationships or Arrangements with Certain Related Persons .....                                  | 31        |
| Compensation from Portfolio Managers .....   | 32        |
| <b>Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b> | <b>33</b> |
| General .....  | 33        |
| Participation and Interest in Client Transactions .....  | 34        |
| Other Conflicts of Interest.....   | 34        |
| Procedures for Resolving Conflicts of Interest .....   | 36        |
| <b>Item 12. Brokerage Practices .....</b>  | <b>36</b> |
| <b>Item 13. Review of Accounts.....</b>  | <b>37</b> |
| <b>Item 14. Client Referrals and Other Compensation.....</b>   | <b>37</b> |
| <b>Item 15. Custody .....</b>  | <b>38</b> |
| <b>Item 16. Investment Discretion.....</b>   | <b>38</b> |
| Feeders and Funds of Funds.....  | 38        |
| Managed Accounts .....   | 39        |
| <b>Item 17. Voting Client Securities.....</b>  | <b>39</b> |
| <b>Item 18. Financial Information.....</b>   | <b>39</b> |
| <b>Item 19. Requirements for State-Registered Advisers .....</b>   | <b>39</b> |

## Item 4. Advisory Business

### *Introduction*

Citi Private Advisory, LLC (“Citi Advisory”) is a Delaware limited liability company and an indirect, wholly-owned subsidiary of Citigroup Inc. (“Citigroup”). Citigroup is a publicly held company. Citi Advisory commenced operations in October, 2010. Citi Advisory provides advisory services to private investment funds that are either feeder funds (each, a “Feeder”) organized to invest primarily in other private investment funds advised by third-party managers or funds of hedge funds (each a “Fund of Hedge Funds”). These third-party managed funds include hedge funds, private equity funds (and co-investment vehicles) and real estate funds (and co-investment vehicles). Citi Advisory also provides investment advice to separately managed accounts (“Managed Accounts”) on either a fully discretionary or non-discretionary basis. In addition, Citi Advisory provides certain non-fee services as described below.

**Clients should read and consider carefully the information contained in this brochure. While Citi Advisory believes that its professional investment advice can work to benefit many clients, there is no assurance that the objectives of any Feeder, Fund of Funds, Managed Account or other investment program described herein will be achieved.**

### *Services Provided: Feeder Platforms*

HedgeForum Platform: Citi Advisory provides investment advice to private investment funds that are organized to invest primarily in other private investment funds commonly known as hedge funds through its HedgeForum<sup>SM</sup> platform (“HedgeForum” or “HedgeForum Platform”). Hedge funds are professionally managed, pooled investment vehicles that use investment techniques including but not limited to active trading, short selling, arbitrage and leveraging.

Because of high minimum investment levels and other reasons, certain eligible investors generally would not have the opportunity to invest directly in certain hedge funds, and the HedgeForum Platform enables such investors to invest indirectly in these single manager hedge funds managed by third parties. Typically, each hedge fund offered on HedgeForum (each, a “HedgeForum Master Company”) will be a separate legal entity that acts as a master vehicle in a “master-feeder” structure, and each HedgeForum Master Company will usually have both a U.S. feeder fund and a Cayman Islands feeder fund (each, a “HedgeForum Feeder”) through which U.S. taxable and U.S. tax-exempt and non-U.S. investors, respectively, invest in HedgeForum. A third-party hedge fund manager (each, a “HF Portfolio Manager”) will manage each HedgeForum Master Company’s assets (either directly or will manage a master trading vehicle in which the HedgeForum Master Company invests substantially all of its assets). Each HedgeForum Master Company is organized in the Cayman Islands, Delaware or another jurisdiction and is structured as either (i) an entity which will enter into an investment advisory agreement or a similar arrangement with the HF Portfolio Manager and for which Citi Advisory or its affiliates will provide certain limited administrative services or (ii) an entity sponsored and advised by the HF Portfolio Manager (a “PM Sponsored Vehicle”). Most HedgeForum Master Companies are PM Sponsored Vehicles.

Private Equity Platform: Citi Advisory provides investment advice to private investment funds (each a “PE Feeder”) that are organized to invest primarily in private equity funds through its private equity platform (“Private Equity Platform”).

Private equity funds are limited partnerships, limited liability companies or other investment vehicles. Private equity funds typically acquire non-publicly traded interests that they may hold for extended periods of time. These securities often are acquired in management buyouts, or in connection with company growth or restructurings. These securities may take the form of common equity, preferred equity, debt or other similar instruments. The capital provided by the investments may be used in the early or intermediate stages of an enterprise or may fund the expansion of an established business.

Because of high minimum investment levels and other reasons, certain eligible investors generally would not have the opportunity to invest directly in certain private equity funds, and the Private Equity Platform enables such investors to invest indirectly in these single manager private equity funds managed by third parties. Typically, PE Feeders offered on the Private Equity Platform act as feeder funds that invest in an underlying private equity fund managed and advised by a third party (each, a “PE Master Company”). The PE Master Company is a separate legal entity that acts as a master vehicle in a “master-feeder” structure, and each PE Master Company will usually have both a U.S. PE Feeder and a Cayman Islands or other non-U.S. “PE Feeder” that enable U.S. taxable and U.S. tax-exempt and non-U.S. investors to invest through such PE Feeders in the PE Master Company. Each PE Master Company may be organized in one of a number of different jurisdictions, but is commonly organized in the Cayman Islands or Delaware. A third-party private equity fund manager (each, a “PE Portfolio Manager”) sponsors and advises each PE Master Company and manages the assets of such PE Master Company (either directly or through one or more of its affiliates).

The Private Equity Platform may also enable certain eligible investors to invest via a PE Feeder alongside a PE Master Company in a specified company or transaction (either directly or through an investment in another vehicle managed by the PE Portfolio Manager (each, a “PE Coinvestment Vehicle”)).

Real Estate Platform: Citi Advisory provides investment advice to private investment funds (each, a “RE Feeder”) that are organized to invest primarily in real estate funds or real estate co-investments through its real estate platform (“Real Estate Platform”).

Real estate funds may be limited partnerships, limited liability companies and other investment vehicles that invest, directly or indirectly, in real estate and real estate-related investments, which is broadly defined. Such funds typically acquire interests in real estate properties that they may hold for extended periods of time. A real estate fund may also acquire publicly-traded shares of Real Estate Investment Trusts (“REITs”) or shares in other companies that own, develop, operate or finance real estate as their primary business (“REOCs”) or Commercial Mortgage-Backed Securities (“CMBS”) or other debt instruments, both publicly and privately traded.

Because of high minimum investment levels and other reasons, certain eligible investors generally would not have the opportunity to invest directly in certain real estate funds, and the Real Estate Platform enables such investors to invest indirectly in these single manager real estate funds managed by third parties. Typically, RE Feeders offered on the Real Estate Platform act as feeder funds that invest in an underlying real estate fund managed and advised by a third party (each, a “RE Master Company”). The RE Master Company is a separate legal entity that acts as a master vehicle in a “master-feeder” structure, and each RE Master Company will usually have both a U.S. RE Feeder and a Cayman Islands or other non-U.S. RE Feeder that enable U.S. taxable and U.S. tax-exempt and non-U.S. investors to invest through such RE Feeders in the RE Master Company.

Each RE Master Company may be organized in one of a number of different jurisdictions, but is commonly organized in the Cayman Islands or Delaware. A third-party real estate fund manager (each, a “RE Portfolio Manager”) sponsors and advises each RE Master Company and manages the assets of such RE Master Company (either directly or through one or more of its affiliates).

The Real Estate Platform may also enable certain eligible investors to invest via a RE Feeder alongside a RE Master Company in a specified property or transaction (either directly or through an investment in another vehicle managed by the RE Portfolio Manager (each, a “RE Coinvestment Vehicle”)).

#### General Feeder Platform Information

Eligible investors may invest in any combination of HedgeForum Feeders, PE Feeders and RE Feeders based on their individual investment needs.

The third-party Portfolio Managers are selected by Citi Advisory, which generally takes advantage of Citi Advisory’s experience in manager sourcing, due diligence and risk management capabilities in evaluating and selecting third-party Portfolio Managers for inclusion on the relevant Platform. In selecting Portfolio Managers, Citi Advisory generally will consider various factors as appropriate for the relevant Platform, including, but not limited to: (i) investment strategy and targeted sectors; (ii) the Portfolio Manager’s investment team and personnel; and (iii) the track record and transactions done by the Portfolio Manager’s investment team. In respect of the HedgeForum Platform, Citi Advisory also considers, among other factors: (i) the HF Portfolio Managers’ historical ability to generate attractive risk-adjusted returns over time; (ii) the HF Portfolio Managers’ historical ability to monitor and control risk appropriate to their strategy; and (iii) the adequacy of the HF Portfolio Managers’ business and operational infrastructure to support current and future projected assets under management. Within each of these two sets of broad areas, Citi Advisory uses an extensive list of issues, questions and metrics designed to assist it in deciding whether to allow a particular Portfolio Manager onto the relevant Platform. Interviews with other investors and lenders and verification from independent professionals may also be undertaken.

Prior to a Feeder being admitted to a Platform, the Master Company and Portfolio Manager must be approved by an internal investment committee and are also subject to various Citigroup approval processes. The members of this investment committee include officers of Citi Advisory and officers of other Citigroup entities.

Given the illiquid nature of most real estate and private equity funds, once a RE Feeder or PE Feeder is launched, Citi Advisory’s role with respect to such Feeder will essentially be administrative and mechanical, rather than investment advisory in nature, as Citi Advisory will be responsible primarily for effecting the Feeder’s investment in the designated Master Company or Coinvestment Vehicle as directed by the Feeder’s governing documents and monitoring the investment during the term. However, for certain investments, Citi Advisory or its delegate may serve as a member of the relevant master fund’s limited partner advisory committee or serve in a similar function. Such roles will be disclosed in the relevant fund governing documents. On the other hand, because of the redeemable nature of most hedge funds, Citi Advisory’s investment advisory role with respect to HedgeForum Feeders includes but is not limited to ongoing due diligence, performance monitoring, review of adherence to regulatory and investment guidelines, assessment of the use of leverage and examination of risk management procedures.

### ***Services Provided: Managed Accounts***

Citi Advisory provides investment advice to separately managed accounts (“Managed Accounts”) that will primarily acquire interests in HedgeForum Feeders or directly in HedgeForum Master Companies or other Portfolio Managers or hedge funds included on the Platforms, although the Managed Accounts may also acquire interests in private investment funds advised by third-party managers that are not included on the Platforms (“Non-Platform Funds”). Citi Advisory provides such advice either directly to the client or, generally with respect to non-U.S. clients, on a sub-advisory basis (with a local Citigroup affiliate generally serving as the direct advisor).

The Managed Accounts are managed on a fully discretionary basis (“Discretionary Managed Accounts”) or a non-discretionary basis (“Non-Discretionary Managed Accounts”). Individual account agreements will provide for client notice or approval procedures, if any.

With respect to a Discretionary Managed Account, Citi Advisory and its affiliates will enter into an advisory agreement and related account opening documents with the client pursuant to which Citi Advisory will construct and manage on a discretionary basis the Discretionary Managed Account. With respect to a Non-Discretionary Managed Account, Citi Advisory and its affiliates will enter into an advisory agreement and related account opening documents with a client pursuant to which Citi Advisory will provide investment advice relating to private investment funds and will construct on a non-discretionary basis the Non-Discretionary Managed Account’s portfolio. Individual agreements may provide for other services to be provided by Citi Advisory which may include: overall allocation advice, due diligence services, consolidation of certain accounts, analytical and reporting services and certain administrative services. Citibank, N.A. or other Citigroup affiliates or third parties are often retained by the Managed Account clients or Citi Advisory to provide administrative, custodial or other services to the Managed Accounts. In 2015, The Bank of New York Mellon (“BNY”) was appointed to perform certain sub-custodial and other functions in respect of the Managed Accounts established as of such date and is expected to be appointed to perform such services for subsequent Managed Accounts.

In constructing a Managed Account portfolio, Citi Advisory will first consider and assess the Managed Account client’s financial goals, investment objectives, investment time horizon, risk tolerance, investment preferences and other considerations deemed appropriate by Citi Advisory. Citi Advisory expects that it will utilize its proprietary asset allocation methodology and processes to determine strategic allocations for the portfolio. It will also consider macroeconomic and market factors along with its qualitative views in both constructing the initial portfolio as well as providing ongoing monitoring and rebalancing advice. In certain instances, depending on an individual client’s needs and preferences, Citi Advisory may construct portfolios that are either concentrated in terms of strategy or sectors or in terms of the number of funds. See Item 8 “Methods of Analysis.”

The Managed Accounts program is generally referred to as the “Custom Hedge Fund Portfolios” program.



## ***Services Provided: Fund of Hedge Funds.***

### ***General***

Citi Advisory provides investment advice to private investment funds of hedge funds (each a “Fund of Hedge Funds”) that are organized to invest primarily in other hedge funds (“Underlying Hedge Funds”). Citi Advisory serves as the investment manager of the Funds of Hedge Funds.

The Underlying Hedge Funds will be selected by Citi Advisory, which takes advantage of Citi Advisory’s hedge fund sourcing, due diligence and risk management capabilities in evaluating and selecting third-party hedge fund managers for inclusion in the Funds of Hedge Funds. The Underlying Hedge Funds will be selected based on multiple criteria, including: (i) the Portfolio Managers’ historical ability to generate attractive risk-adjusted returns over time; (ii) the Portfolio Managers’ historical ability to monitor and control risk appropriate to their strategy; and (iii) the adequacy of the Portfolio Managers’ business and operational infrastructure to support current and future projected assets under management. It is expected that many of the Portfolio Managers included in a Fund of Hedge Funds will also be on the HedgeForum Platform. After undergoing Citi Advisory’s initial due diligence and approval process, all of the Underlying Hedge Fund Portfolio Managers will be subject to ongoing monitoring by Citi Advisory’s investment professionals.

Citi Advisory will determine the initial allocation among the Underlying Hedge Funds, perform on-going due diligence on the Underlying Hedge Funds, and regularly rebalance the allocation among the Underlying Hedge Funds based on, among other factors, the Fund of Hedge Fund’s strategies, investment limitations and investment restrictions as well as Citi Advisory’s assessment of global market conditions. Citi Advisory expects that it will utilize its proprietary asset allocation methodology and processes to determine strategic allocations for each Fund of Hedge Funds. It will also consider macroeconomic and market factors along with its qualitative views in both constructing the initial portfolio as well as providing ongoing monitoring and rebalancing advice. See Item 8 “Methods of Analysis.”

### **Structure**

There are two Fund of Hedge Fund vehicles have been structured as “umbrella” structures which either issue shares in separate sub-funds or issue interests in series, depending on the vehicles’ jurisdiction of organization. Each series or sub-fund (each a “Portfolio”) will seek to achieve its own investment objective and policy, have separate rights and privileges as established in the vehicles’ respective constitutive documents and bear separate liabilities. Each Portfolio will invest substantially all of its assets in Underlying Hedge Funds.

The onshore vehicle has established four Portfolios and the offshore vehicle has established five Portfolios that are operated as fund of hedge funds vehicles, and will accept investors at a minimum subscription amount of \$100,000 for the onshore vehicle and \$175,000 for the offshore vehicle. The minimum subscription amounts may be waived by the Portfolios, subject to applicable law. Additional Portfolios may be established in the future.

Each Fund of Hedge Fund vehicle has established, or is also expected to establish, Portfolios (“Dedicated Portfolios”) that will be customized for, and available for investment by, certain eligible clients of Citi Private Bank and clients of other Citigroup affiliates. Similar to the Discretionary Managed Accounts, in constructing a Dedicated Portfolio, Citi Advisory will first

consider and assess, among other factors, the Dedicated Portfolio client's financial goals, investment objectives, investment time horizon, risk tolerance, investment preferences and other factors deemed appropriate by Citi Advisory. Citi Advisory expects that it will utilize its proprietary asset allocation methodology and processes to determine strategic allocations for the Dedicated Portfolios. It will also consider macroeconomic and market factors along with its qualitative views in both constructing the initial portfolio as well as providing ongoing monitoring and rebalancing advice. See Item 8 "Methods of Analysis."

Dedicated Portfolios may be referred to as part of the "Custom Hedge Fund Portfolios" platform.

Citi Advisory currently serves as a sub-advisor to fund of hedge fund vehicles advised by a third party and may in the future serve as a sub-advisory to additional fund of hedge fund vehicles advised by third parties, including vehicles investing in insurance and other sectors, established, sponsored and/or advised by third parties. Citi Advisory utilizes substantially similar investment management, due diligence and risk management processes described above for such sub-advised fund of fund vehicles as it does for the Fund of Hedge Funds.

### ***Services Provided: Fund of Private Equity/Real Estate Funds***

#### ***General***

Citi Advisory provides investment advice to private investment funds of funds (each a "Fund of PERE Funds") that are organized to invest primarily in a portfolio of other private equity or real estate funds and co-investment opportunities. Such investments include within a Fund of PERE Fund: PE Feeders or PE Master Companies on the Private Equity Platform; RE Feeders or RE Master Companies on the Real Estate Platform; and related co-investment vehicles (collectively, "Underlying PERE Funds"). Citi Advisory serves as the investment manager or sub-investment manager of the Funds of PERE Funds. The Fund of Hedge Funds and the Funds of PERE Funds are collectively referred to as the "Fund of Funds."

Citi Advisory will determine the initial allocation among the Underlying PERE Funds based on the criteria set forth in the relevant fund governing documents.

#### **Structure**

There are currently four Fund of PERE Fund vehicles and each invests substantially all of its assets in Underlying PERE Funds. The vehicles will generally accept investors at a minimum subscription amount of \$250,000. The minimum subscription amounts may be waived by the funds, subject to applicable law. Additional Funds of PERE Funds may be established in the future.

### ***Services Provided: Portfolio Diagnostic Reviews***

Citi Advisory provides investment portfolio analysis (a "Portfolio Diagnostic Review") on a non-fee basis to certain select clients of Citi Private Bank. A Portfolio Diagnostic Review is performed by Citi Advisory for an individual client to provide them with a better understanding of their hedge fund holdings and portfolio construction issues. Citi Advisory will evaluate a client's portfolio for, among other things, diversification, liquidity and allocation of investment strategies. Citi Advisory's evaluation of the client's portfolio is based on the data provided by the client on existing hedge fund holdings. Citi Advisory only provides information with respect to the client's portfolios, and clients are solely responsible for all investment decisions relating to the client's

portfolios. After receiving a Portfolio Diagnostic Review, clients may decide to invest in one or more Feeders, invest in a Dedicated Portfolio or retain Citi Advisory to advise a Managed Account for the client. See Item 8 “Methods of Analysis.”

### ***Definitions***

The term “Feeder” includes a HedgeForum Feeder, a PE Feeder, and a RE Feeder. The term “Master Company” includes a HedgeForum Master Company, a PE Master Company and a RE Master Company. The term “Underlying Fund” includes, where applicable, a HedgeForum Master Company, a PE Master Company, a PE Coinvestment Vehicle, a RE Master Company, a RE Coinvestment Vehicle, an Underlying Hedge Fund and an Underlying PERE Fund. The term “Platforms” includes the HedgeForum Platform, hedge funds considered as part of the Citi Investment Management platform and available as a fund investment in the Managed Accounts or Fund of Hedge Funds, the Private Equity Platform and the Real Estate Platform. The term “Portfolio Manager” includes an HF Portfolio Manager, a PE Portfolio Manager and a RE Portfolio Manager or portfolio manager of an Underlying Hedge Fund or Underlying PERE Fund. The term “Coinvestment Vehicle” includes a PE Coinvestment Vehicle and a RE Coinvestment Vehicle. The term “Funds of Funds” includes the Funds of Hedge Funds and the Funds of PERE Funds.

### ***Particular Investment Restrictions***

Individual investors in the Feeders and the Funds of Funds are not consulted in the design or implementation of investment programs. Each Feeder’s account documentation will describe such Feeder’s investment program and will identify the respective Master Company. Each Fund of Fund’s account documentation will describe its investment program, and each Dedicated Portfolio’s investment program and any related investment restrictions.

With respect to Managed Accounts, each advisory agreement and related account documentation will specify the particular investment program and any related investment restrictions. It is expected that in general each Managed Account and each Dedicated Portfolio will be customized to reflect a particular client’s investor profile. An investor profile generally addresses a client’s existing investments, income preferences, liquidity preferences, investment time horizon, investment objectives, risk tolerance and investment experience.

### ***Wrap Fee Programs***

Citi Advisory does not participate in wrap fee programs.

### ***Assets Under Management***

As of December 31, 2018, Citi Advisory managed \$11,193,227,897 of discretionary assets and \$49,734,433 of non-discretionary assets. The discretionary assets consisted of (i) Feeders on the HedgeForum Platform and special purpose vehicles related to the HedgeForum Platform; (ii) Feeders in the Private Equity Platform; (iii) Feeders in the Real Estate Platform; (iv) two Funds of Hedge Funds consisting collectively of multiple Portfolios, (v) four Funds of PERE Funds, and (vi) advisory contracts for Discretionary Managed Accounts. Citi Advisory managed seven advisory contracts for Non-Discretionary Managed Accounts during 2018.

## **Item 5: Fees and Compensation**

Citi Advisory's fee schedule is available upon request.

### ***Fees Charged: HedgeForum, Private Equity and Real Estate Platforms***

Each Feeder will charge a management fee payable to Citi Advisory (a "Platform Management Fee"). The Private Equity and Real Estate Platforms may also charge incentive fees or incentive allocations ("Feeder Incentive Payments") allocable or payable to Citi Advisory. The Platform Management Fee and Feeder Incentive Payments may vary by class within a Feeder, and for certain clients investing via Managed Accounts or other Citi advised programs, such clients will be charged either no fees or a reduced fee (as described below). In addition to the Platform Management Fee and Feeder Incentive Payments, typically management and incentive fees or allocations will be paid by the Feeders to the relevant Portfolio Manager based on the assets invested into the relevant Master Company or Coinvestment Vehicle and the performance they experience. Citigroup Global Markets, Inc., an affiliate of Citi Advisory, Citi Advisory (in its role as a distributor), and certain other affiliated placement agents typically also receive from a Portfolio Manager an investor servicing fee ("Servicing Fees"). In addition, in some cases, Citi Advisory may also receive a performance fee or allocation from the Portfolio Manager which represents a portion of the management fees and incentive fees or allocation, respectively, paid to such Portfolio Manager ("Incentive Payments"). In addition, affiliated placement agents may also receive a one-time distribution fee based on the amounts invested by the Feeders and by clients who invest directly in the relevant Master Company or Coinvestment Vehicle ("Upfront Fees"). In certain cases, Citi Advisory and its affiliated placement agents may receive a non-solicitation fee from the Portfolio Manager. Each Feeder, Fund of Funds and Underlying Fund will generally pay custodial and administration fees and expenses.

Citi Advisory may share all or a portion of the Platform Management Fee, Feeder Incentive Payment, and Citi Advisory and/or Citibank, N.A., New York branch Servicing Fees, Incentive Payments and Upfront Fees, with certain placement agents, including affiliates of Citi Advisory, in connection with the offering of Feeder interests or investments made by clients referred or sourced by the placement agents directly into the relevant Master Company or Coinvestment Vehicle. Investors will typically also be subject to a placement fee payable to the placement agent affiliated with Citi Advisory which is in addition to the Upfront Fees. Placement fees may be waived at the discretion of the placement agent affiliated with Citi Advisory.

### ***Fees Charges: Managed Accounts***

The investment advisory agreement and account documentation relating to each Managed Account will specify the fees payable to Citi Advisory or its affiliates. Such fees may include management fees and incentive fees. Fees may be either asset-based or fixed, depending on the particular client. Fees may be payable in arrears. Citi Advisory may share a portion of such fees with certain placement, sales or referral agents. Any Servicing Fees (as defined above) or Incentive Payments (as defined above) received by Citi Advisory or its affiliates in respect of a Managed Account's investment in a Feeder, an Underlying Fund or Non-Platform Fund will be credited or refunded to the Managed Account holder. To the extent that a Managed Account invests in a Feeder, it will generally invest in a "no fee" share class, which is a class that either does not charge a Platform Management Fee or Feeder Incentive Fee or that charges reduced Platform Management Fees or Feeder Incentive Fees.

Citigroup affiliates will in most instances provide certain administrative and custodial services related to the support of the Managed Accounts at no additional cost. It is expected that Citi Advisory will share a portion of its fees with such affiliated service providers.

As noted above, BNY has been appointed to provide certain sub-custodial and related services for the Managed Accounts. For Managed Accounts established after February 2016, such Managed Accounts will be subject to any fees charged by BNY. For Managed Accounts established prior to such date, Citi Advisory or one of its affiliates shall pay any fees charged by BNY.

### ***Fees Charged: Fund of Funds***

Each Fund of Hedge Funds will pay Citi Advisory a management fee either monthly or quarterly in arrears, at an annual rate based on the aggregate capital accounts of the Fund of Hedge Funds' investors or the net asset value of the Fund of Hedge Funds. In addition to the management fee, a Dedicated Portfolio may pay or allocate Citi Advisory an incentive allocation and/or incentive fee based on the return of the Dedicated Portfolio and its investments. The amount of the management fee, incentive allocation and/or incentive fee for a particular Portfolio within a Fund of Hedge Funds Vehicle will be set forth in the account documentation for that Portfolio.

Each Fund of PERE Funds will pay Citi Advisory a management fee quarterly in arrears, at an annual rate based on the aggregate capital commitment of the Fund of PERE Funds' investors. The amount of the management fee, incentive allocation and/or incentive fee for a particular Portfolio within a Fund of PERE Funds Vehicle will be set forth in the account documentation for that Portfolio. Citigroup Global Markets, Inc., an affiliate of Citi Advisory, Citi Advisory (in its role as a distributor), and certain other affiliated placement agents typically also receive from a Portfolio Manager of an Underlying PERE Fund Servicing Fees, Incentive Payments and Upfront Fees.

### ***Multiple Layers of Fees and Expenses***

Investors in the Feeders, the Funds of Funds and the Managed Accounts will in effect pay multiple sets of fees and expenses: one at the Feeder, Fund of Funds or Managed Account level and one at the Underlying Fund level. As a result of the payment of multiple levels of fees and expenses, investors will typically pay more in fees by investing in a Feeder, Fund of Funds, or a Managed Account than they would by investing directly in the Underlying Funds. Because of high minimum investment levels and other reasons, investors in a Feeder or Fund of Funds would generally not have the opportunity to invest directly in an Underlying Fund. In addition, by investing in a Fund of Funds or a Managed Account, investors receive professional management of a portfolio of alternative investments consisting of multiple Feeders or Underlying Funds.

### ***Method of Payment of Fees***

The Feeders (or the individual investors in the Feeders depending on the relevant fund documentation) will pay the Platform Management Fee and any Feeder Incentive Payment at such times and in the manner specified in the respective operative agreements; with respect to fees paid directly by the Feeders, the investors in the Feeder will bear those expenses. Generally, the Platform Management Fee will be calculated and allocable or payable monthly in arrears and any Feeder Incentive Payment may be calculated and payable as of the end of each fiscal year and/or in connection with distributions to investors in a Feeder. In certain instances, a Feeder or Portfolio Company Feeder may pay certain fees in advance as provided in its constituent documents. With

respect to individual investors into the Feeders, their capital accounts or net asset value in the respective Feeder will reflect the payment of all Feeder level, and Master Company or Coinvestment Vehicle level fees and expenses.

Portfolios within the Funds of Hedge Funds will pay or allocate any management and incentive fees at such times and in such manner specified in their respective account documentation. Such fees will be deducted from the respective Portfolio and reflected in an investor's net asset value per share or capital account, as applicable.

It is expected that a Managed Account's management fees will be calculated and payable monthly in arrears and will be deducted from the client's account as provided in the applicable account documentation. Any incentive fee will be calculated and payable at the end of each fiscal year and also deducted from the Managed Account.

Investors in Funds of PERE Funds will directly pay Citi Advisory any management fees as specified in the respective fund and account documentation.

### ***Additional Fees and Expenses***

As described in more detail in their respective constituent agreements, each Feeder and each Fund of Funds bears all of its operating and administrative expenses including: (a) legal (including, without limitation, a proportionate amount of the salaries, bonuses, benefits and other applicable compensation paid to full or temporary in house legal counsel employed or retained by Citi Advisory with respect to such counsel's support and time devoted to the administration and operation of the Feeder or Fund of Funds), auditing, tax preparation, consulting, financing, investor servicing and accounting fees and expenses, fees and expenses incurred by any advisory board, the annual fee paid to the general partner and the establishment costs of the general partner, administration fees, investment advisory fees, custodian fees and expense reimbursements to the administrator and Citi Private Advisory (including expenses relating to ongoing regulatory compliance matters and regulatory reporting obligations specifically relating to the Feeder's or Fund of Funds' activities (including, for greater certainty, regulatory filings of Citi Advisory and its affiliates relating to the Feeder or Fund of Funds and its activities)); (b) all expenses associated with the preparation of financial statements, tax returns and associated documentation and maintaining books and records; (c) out-of-pocket expenses of transactions (whether or not consummated) and other expenses associated with the pursuit, acquisition, holding and disposition of investments; (d) any taxes, fees or other governmental charges levied against the Feeder or Fund of Funds (unless allocable to a specific investor); (e) all expenses with respect to insurance (including liability insurance) and indemnification obligations; (f) extraordinary expenses, including litigation expenses; and (g) all fees and expenses incurred in connection with the liquidation and winding-up and cancellation of the Feeder or Fund of Funds and its general partner. Each Feeder or Funds of Funds will generally bear, pro rata based on the aggregate capital commitments of each vehicle, all organizational and offering expenses (including legal (including, without limitation, a proportionate amount of the salaries, bonuses, benefits and other applicable compensation paid to full or temporary in house legal counsel employed or retained by Citi Advisory with respect to such counsel's support and time devoted to the organization and offering of the Feeder or Fund of Funds interests), travel and entertainment, accounting, tax, consulting, filing, printing and other expenses) incurred by them or on their behalf in connection with the formation and offering of the Feeder or Fund of Funds and the negotiation of related documents.

As described in more detail in each client's advisory agreement and related account documentation, each Managed Account client may incur custody fees as described under "Fees Charged: Managed Accounts" above and other costs and charges in certain circumstances (for example where individual securities are held in the Managed Account).

In addition, investors will bear comparable organizational, offering, operating and other expenses as described above in respect of each Underlying Fund as described in its constituent documents.

### ***Payment of Fees in Advance***

In general, clients do not pay advisory fees to Citi Advisory in advance, other than Platform Management Fees that may be payable by each Feeder. However, all fees are paid in respect of a particular Feeder or Fund of Funds as provided in its constituent documents.

### ***Compensation of Citi Advisory Personnel***

None of Citi Advisory's personnel or supervised persons providing investment management services directly receives any compensation for the sale of securities or other investment products advised by Citi Advisory. However, Citi Advisory (in its role as a distributor) and affiliates of Citi Advisory that serve as placement agents, referral agents or distributors for Citi Advisory products and third-party marketers do receive such compensation.

### ***Statement of Allocation Policy and Procedure***

It is Citi Advisory's policy that no Feeder, Fund of Hedge Funds, Managed Account or other account for which Citi Advisory has investment decision responsibility shall receive preferential treatment over any other Feeder, Fund of Hedge Funds, Managed Account or account. In allocating securities among Feeders, Fund of Hedge Funds Managed Accounts and accounts with a substantially similar investment strategy, it is Citi Advisory's policy that all such Feeders, Funds of Hedge Funds, Managed Accounts and accounts should be treated fairly and equitably over time and that, to the extent possible, all Feeders, Funds of Hedge Funds, Managed Accounts and accounts with a substantially similar investment strategy should receive equivalent treatment.

Where a Portfolio Manager or other investment opportunity has limited capacity and the investment is suitable for more than one Feeder, Fund of Hedge Funds, Managed Account or account: (i) Citi Advisory is not obligated to cause a Feeder, Fund of Hedge Funds, Managed Account or other account that invested first to withdraw to free up capacity for another Feeder, Fund of Hedge Funds, Managed Account or account; (ii) where two or more Feeders, Fund of Hedge Funds, Managed Accounts or accounts are considering the investment at the same time, the investment will be made pro-rata to assets under management, subject to available cash, overall portfolio construction and risk parameters, and tax and regulatory considerations; and (iii) apart from the foregoing considerations, Citi Advisory will not favor one client over any other client.

Investment opportunities generally will be allocated among those Feeders, Fund of Funds, Managed Accounts and accounts for which participation in the respective opportunity is considered appropriate by Citi Advisory taking into account, among other considerations (a) whether the risk-return profile of the proposed investment is consistent with the Feeder's, Fund of Fund's, Managed Account's or account's objectives, whether such objectives are considered (i) solely in light of the specific investment under consideration or (ii) in the context of such Feeder's, Fund of Fund's, Managed Account's or account's overall holdings; (b) the potential for the

proposed investment to create an imbalance in the Feeder's, Fund of Fund's or Managed Account's portfolio; (c) liquidity requirements of the Feeder, Fund of Funds or Managed Account; (d) potentially adverse tax consequences; (e) regulatory restrictions that would or could limit a Feeder's, Managed Account's or account's ability to participate in a proposed investment; and (f) the risk parameters in the Feeder's, Fund of Funds' or Managed Account's portfolio. Such considerations may result in allocations on other than a pari passu basis.

Each Fund of PERE Funds, during its investment period, will have a pre-established allocation to participate in each available investment or co-investment on the Private Equity Platform and Real Estate Platform provided such investments meet the criteria for inclusion in its portfolio and subject to the oversight and approval of an internal investment committee comprised of individual representatives of Citi Advisory and other Citi Private Bank professionals.

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

Citi Advisory will not charge incentive fees or allocations for Feeders on the HedgeForum Platform or directly at the Fund of Funds level (other than Dedicated Portfolios as described below).

Citi Advisory expects that it may charge incentive fees or allocations for certain Feeders and Coinvestment Vehicles on the Private Equity and Real Estate Platforms, for certain Managed Accounts and for certain Dedicated Portfolios within the Funds of Hedge Funds. See Item 8 "Use of Underlying Fund Managers" and "Valuation Risks."

The Feeders offer different fee arrangements to different investors, with the result that, in some cases, an investor in one Feeder will pay a performance-based fee or allocation and an investor in another Feeder will not pay a performance-based fee or allocation or pay a reduced performance-based fee. Ordinarily, such an arrangement could create a conflict of interest by providing an incentive for an adviser to offer better investment opportunities to the Feeder that is charged an incentive fee or allocation, which would represent a conflict of interest. However, as each Feeder is a dedicated feeder into a particular Master Company, Citi Advisory has little ability to favor an investor that pays a performance-based fee or allocation, which mitigates that conflict of interest. Should Citi Advisory offer investors the option to pay performance-based compensation for other kinds of accounts, Citi Advisory will seek to address this conflict of interest through disclosure to clients, and policies and procedures relating to the equitable treatment of clients with respect to investment opportunities. Placement agents affiliated with Citi Advisory may have an incentive to recommend Feeder or other investments that have higher fees.

## **Item 7. Types of Clients**

With respect to the Feeders and Funds of Funds, Citi Advisory's clients are the respective funds, not the underlying investors. The Feeders on the HedgeForum Platform require a minimum investment from investors ranging from \$100,000 to \$5,000,000, which may be waived, subject to applicable law. The Feeders on the Private Equity and Real Estate Platforms generally require a minimum investment ranging from \$250,000 to \$500,000, however, such minimum investment amount may, in certain cases, be waived in the discretion of the general partner or the directors of the relevant Feeder. The Funds of Hedge Funds (other than the Dedicated Portfolios) require minimum investments of ranging from \$100,000 to \$5,000,000, which may be waived, subject to applicable law. The Funds of PERE Funds require minimum investments ranging from \$250,000 to \$5,000,000, which may be waived, subject to applicable law. Citi Advisory expects that



investors in the Dedicated Portfolios may include individuals, trusts, institutions and pension plans. Citi Advisory generally requires a minimum investment of \$10 million for Dedicated Portfolios, which may be waived, subject to applicable law.

With respect to the Managed Accounts, the clients are the holders of the Managed Accounts. Citi Advisory expects that such clients may include individuals, trusts, institutions and pension plans. Citi Advisory generally requires a minimum investment of \$10 million for both Discretionary Managed Accounts and Non-Discretionary Managed Accounts, which may be waived, subject to applicable law.

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

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

See Item 4 for a description of the method of selecting and monitoring Feeders on the Platforms and the selection of Underlying Hedge Funds and Underlying PERE Funds for including in the Funds of Funds. In constructing portfolios for the Managed Accounts and the Fund of Hedge Funds, Citi Advisory's process is iterative and includes multiple levels of research inputs from both research teams within Citi Advisory and other areas of Citigroup. Citi Advisory uses a proprietary and innovative hedge fund portfolio construction, management and monitoring tool created specifically for and by Citi Advisory. This tool provides real time oversight of the portfolios, quality statistical analysis and enhanced connectivity to relevant systems and databases.

The strategic asset allocation process of portfolio construction formulates a top down and bottom up review incorporating both quantitative and qualitative components. The top down and bottom up reviews are overlaid with thematic investment ideas and forward looking views on market opportunities.

The monitoring and rebalancing process is designed to dynamically assess the portfolio based on, among other things, market themes, opportunities and views, and benchmark and performance analysis. With respect to Managed Accounts and Dedicated Portfolios, Citi Advisory may also consider, among other factors, the client's lifestyle, needs and objectives and its risk and return expectations. In certain instances, depending on an individual client's needs and preferences, Citi Advisory may construct more concentrated portfolios that are more concentrated in terms of strategies, sectors or number of funds. See Item 4 "Particular Investment Restrictions."

The processes described above will also be utilized in varying degrees with respect to the Portfolio Diagnostic Reviews.

### ***General Risks***

Alternative Investments entail a high degree of risk. Investors should give careful consideration to the following risk factors and conflicts of interest detailed in this Item 8 and other product-specific information provided by the product or Citi Advisory in evaluating the merits and suitability of any Alternative Investment products. The following does not purport to be a comprehensive summary of all the risks and conflicts of interest associated with Alternative Investments. "Alternative Investments" means the Feeders, the Fund of Funds and the Managed Accounts, and unless the context indicates otherwise, all references to "Alternative Investments" in this Item 8 should be read to include "Underlying Funds." "Investment Managers" includes Citi Advisory and the Underlying Fund Managers unless the context indicates otherwise. "Underlying

Fund” includes, where applicable, a HedgeForum Master Company, a PE Master Company, a PE Coinvestment Vehicle, a RE Master Company, a RE Coinvestment Vehicle, an Underlying Hedge Fund and an Underlying PERE Fund. “Underlying Fund Manager” means the investment manager or investment adviser to the Underlying Fund, including a Portfolio Manager.

### Investment in General

Any prospective client must be able to bear the risks involved and must meet the suitability requirements of the Alternative Investments. Some or all alternative investment strategies employed by the Alternative Investments may not be suitable for certain investors. No assurance can be given that the Alternative Investments’ investment objectives will be achieved. Investments in hedge funds, private equity funds, and real estate funds and other types of private investment funds are typically speculative and involve a substantial degree of risk. Past results of the Alternative Investments or any other private investment funds or accounts managed by Investment Managers are not necessarily indicative of future performance of any Alternative Investment and the performance of such Alternative Investment may be volatile. Moreover, Citi Advisory may place the Alternative Investment’s assets with an Underlying Fund Manager based upon Citi Advisory’s evaluation of, among other factors, the past performance of such Underlying Fund Manager. Such past performance may not be an accurate indicator of future returns delivered by such Underlying Fund Manager. Investment results may vary substantially on a monthly, quarterly or annual basis. The establishment and use of an Alternative Investment does not constitute a complete investment program. A prospective client must realize that it could lose all or a substantial amount of its investment in an Alternative Investment.

Citi Advisory expects that certain Alternative Investments may underperform or experience financial difficulties, which difficulties may never be overcome. Certain Alternative Investments may be highly illiquid and/or permit redemptions infrequently and under very restrictive terms. Investment Managers may utilize highly speculative investment techniques, including extremely high leverage, highly concentrated portfolios, workouts and startups, control positions and illiquid investments. Neither Citi Advisory nor any investor will have the ability to direct or influence the management of an Underlying Fund Manager’s investments. As a result, the returns of any Alternative Investment that allocates to an Underlying Fund will depend primarily on the performance of such Underlying Fund Manager and could suffer substantial adverse effects by the unfavorable performance of such Underlying Fund Manager. There are no assurances that any of Citi Advisory or the Underlying Fund Managers will be able to identify suitable investment opportunities. No assurance can be given that an Alternative Investment will achieve its goals or investment objectives. If an Alternative Investment receives distributions in kind from an Underlying Fund, it may incur additional costs and risks to dispose of such assets.

### Dependence on the Investment Managers

All decisions with respect to the assets and the general management of the Feeders, the Fund of Funds and the Managed Accounts will be made by Citi Advisory and all decisions with respect to Underlying Funds’ assets and the general management of the Underlying Funds will be made by the Underlying Fund Managers. Investors in the Alternative Investments will have no right or power to take part in the management of the Alternative Investments. As a result, the success of the Alternative Investments will depend largely upon the ability of the Investment Managers and their personnel.

## Market Disruption and Political Risk

The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of asset prices, liquidity, interest rates and the extent and timing of investor participation in the markets for both equity and interest-rate-sensitive securities. Volatility, illiquidity, governmental action, currency devaluation, or other events in global markets in which the Alternative Investments directly or indirectly hold positions could impair the Alternative Investments' ability to achieve their investment objectives and could cause the Alternative Investments to incur substantial losses.

## Potential Impact of Brexit

The decision made in the British referendum of June 23, 2016 to leave the European Union has led to volatility in the financial markets of the United Kingdom and more broadly across Europe and may also lead to weakening in consumer, corporate and financial confidence in such markets. The formal notification to the European Council required under Article 50 of the Treaty on European Union was made on March 29 2017, triggering a two year period during which the terms of exit are to be negotiated. The longer term economic, legal, political and social framework to be put in place between the United Kingdom and the European Union are unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may cause increased economic volatility in the European and global markets. This mid- to long-term uncertainty may have an adverse effect on the economy generally and on the ability of the Alternative Investments and their investments to execute their respective strategies and to receive attractive returns. In particular, currency volatility may mean that the returns of the Alternative Investments and their investments are adversely affected by market movements and may make it more difficult, or more expensive, for the Alternative Investments to execute prudent currency hedging policies. Potential decline in the value of the British Pound and/or the Euro against other currencies, along with the potential downgrading of the UK's sovereign credit rating, may also have an impact on the performance of portfolio companies or investments located in the United Kingdom or Europe. In light of the above, no definitive assessment can currently be made regarding the impact that Brexit will have on the Alternative Investments, their investments or their organization more generally.

## Financial Regulatory Reform and Future Changes in Applicable Law

Future legislative, judicial or administrative action could change laws and regulations and adversely affect an Alternative Investment's ability to implement its investment program, as well as the ability of an Alternative Investment to conduct its operations.

There has been significant recent legislative and regulatory developments affecting the private fund industry, including through the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") on July 21, 2010. The Dodd-Frank Act, among other things, expands the regulation of derivative transactions and of the participants in the over-the-counter derivative markets in the United States, requires registration of U.S. advisers to "private funds" with \$150 million or more in assets under management (with certain limited exceptions) with the SEC under the Investment Advisers Act of 1940, as amended, and subjects such registered advisers to heightened disclosure, recordkeeping and reporting obligations with respect to the private funds they advise.

Other elements of the Dodd-Frank Act include, among numerous other things:

- the establishment of comprehensive regulation of the U.S. over-the-counter derivatives markets (including those markets in which certain Investment Managers have historically traded on behalf of certain of the Alternative Investments), which can be expected to increase the historical costs of, and otherwise potentially impede, such trading activity; and
- an Investment Manager's organization, including qualifications of key personnel; the designation of certain financial institutions (potentially including Citigroup and its affiliates as well as private investment funds, such as the Alternative Investments) as "systemically important," which institutions would be subject to substantive regulation relating to various aspects of their operations, including, among other things, leverage limits.

While many of the Dodd-Frank Act reforms have already been implemented, certain reforms are still pending and there is uncertainty as to whether and how such legislation and reforms will be implemented and applied in the future. In that regard, U.S. President Donald Trump has expressed a desire to repeal the Dodd-Frank Act. If the restrictions under the Dodd-Frank Act are curtailed or repealed, banks may be subject to fewer restrictions on their investment activities, which may allow them to compete more actively with Alternative Investments for investment opportunities and to sponsor certain types of funds that may compete with the Underlying Funds for investment opportunities. As it is unclear whether and how the Trump administration and the U.S. Congress will amend or repeal the Dodd-Frank Act and what other legislative and executive actions may be taken, it is difficult to predict how the Alternative Investments will be affected by any such legislative or executive actions. Such actions may prove detrimental to the Alternative Investments. As a result (and because many of the already implemented reforms are relatively new), it will likely still be some time until the direct and indirect impact of the Dodd-Frank Act is fully understood.

In addition, as private fund firms and other alternative asset managers become more influential participants in the global financial markets and economy generally, the private fund industry has been subject to increased legislative and regulatory scrutiny. This may increase the exposure of the Alternative Investments and the Investment Managers to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on the Alternative Investments and the Investment Managers, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Investment Manager's time, attention and resources from portfolio management activities.

Recently, various federal, state and local agencies in the United States have been examining the role of placement agents, finders and other similar private fund service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. Furthermore, elements of organized labor and other representatives of labor unions have embarked on a campaign targeting private fund firms on a variety of matters of interest to organized labor, including with respect to affording favorable treatment or significant deference to organized labor and labor unions in dealings with portfolio companies. There can be no assurance that the foregoing will not have an adverse impact on the Alternative Investments

and/or the Investment Managers, or otherwise impede the ability of the Alternative Investments and the Investment Managers to effectively achieve their investment objectives.

This increased political and regulatory scrutiny of the private fund industry was particularly acute during the global financial crisis and such scrutiny continues. For example, in addition to the U.S. legislative developments described above, other jurisdictions, including many European jurisdictions, have proposed modernizing financial regulations and have called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, hedge funds and private equity funds. There is therefore a material risk that regulatory agencies in the U.S., Europe, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private fund industry, or other changes that could adversely affect the Investment Managers and/or the Alternative Investments.

Moreover, in December of 2017, the U.S. adopted legislative changes that significantly alter its tax laws, including changes that impact the private fund industry and investors, and numerous aspects of the new laws are subject to interpretation and will require clarification, but only limited regulatory guidance has been issued to date.

#### The Foreign Account Tax Compliance Act (“FATCA”) May Subject Certain Alternative Investments to a Reporting Regime and Possibly Withholding Tax

All entities in a broadly defined class of foreign financial institutions (“**FFIs**”) are required to comply with FATCA, a complicated and expansive reporting regime, or be subject to a 30% withholding tax on certain US source payments made to the FFIs (and beginning in January of 2019, a 30% withholding tax on gross proceeds from the sale of US stocks and securities). FATCA also requires non-US entities which are not FFIs to either certify they have no substantial US beneficial ownership or to report certain information with respect to their substantial US beneficial ownership, or be subject to the withholding rules described above. FATCA also contains complex provisions requiring participating FFIs to withhold on certain “foreign passthru payments” made to nonparticipating FFIs and to holders that fail to provide the required information. The definition of a “foreign passthru payment” is still reserved under current regulations, however the term generally refers to payments that are from non-US sources but that are “attributable to” certain US payments and gross proceeds described above. Withholding on these payments is not set to apply until the later of January of 2019 or the date “foreign passthru payments” are defined in final regulations. These requirements will generally apply to non-US investment funds, including non-US hedge funds; however, they are subject to modification pursuant to an Intergovernmental Agreement (“**IGA**”). The reporting obligations require FFIs to enter into agreements with the IRS to obtain and disclose information about certain of their US investors to the Secretary of the US Treasury, or, if subject to an IGA register with the IRS. IGAs are generally intended to result in the automatic exchange of tax information through reporting by an FFI to the government or tax authorities of the country in which the FFI is domiciled, followed by the automatic exchange of the reported information with the IRS. In the event that FFIs are unable to comply with the reporting requirements, certain payments made to FFIs may be subject to a withholding tax, which would reduce the cash available to investors. These reporting requirements may apply to Alternative Investments, and Citi Advisory will have no control over whether such Alternative Investments comply with the reporting regime.

## Anti-Money Laundering, Sanctions and other Anti-Corruption Legislation

The Alternative Investments and the Investment Managers are subject to anti-money laundering, embargo and trade sanctions, or similar laws, regulations, requirements (whether or not with force of law) or regulatory policies (collectively, “Laws”) in a number of jurisdictions, and many jurisdictions are currently in the process of changing or creating their respective Laws. The Alternative Investments and the Investment Managers (or their respective service providers or delegates) are permitted in accordance with the applicable governing documents to take such actions as considered necessary in relation to an investor's holding or redemption proceeds, as a result of Laws, including, but not limited to, disclosing certain information relating to an investor to financial intermediaries or governmental, regulatory or other authorities or taking other related actions in the future. Such disclosed information may include, without limitation, confidential information such as financial information concerning an investor's investment in an Alternative Investment, and any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such investor. Additionally, an Alternative Investment or its investments are permitted to compulsorily redeem and/or delay or hold a requested redemption (where making such redemption could result in a breach of applicable Laws) of any interests held by an investor. Furthermore, an Alternative Investments are permitted to deduct relevant amounts so that any related costs, debts, expenses, obligations or liabilities (whether internal or external to the fund) are recovered from such investor(s) whose action or inaction (directly or indirectly) gave rise or contributed to such costs or liabilities. Failure by an investor to assist an Alternative Investment in meeting its obligations pursuant to applicable Laws may therefore result in pecuniary loss to such investor. Further, due to the commingled structure of the Alternative Investments, an investor may be compulsorily redeemed and/or have payment of its redemption proceeds delayed or held due to the failure by another investor to meet obligations of the Alternative Investment relating to applicable Laws.

Economic sanction laws in the United States and other jurisdictions may prohibit the Alternative Investments and the Investment Managers and their respective affiliates from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit certain investment activities in Europe, the Middle East, Asia, and Africa, and if any Alternative Investment or its underlying investment were to violate any such laws or regulations, it may face significant legal and monetary penalties.

The U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to and restrict the activities of the Alternative Investments and their respective underlying investments. If any Alternative Investment or its underlying investment were to violate any such laws or regulations, such Alternative Investment may face significant legal and monetary penalties. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that the Alternative Investments or their respective underlying investments become the subject of such actual or threatened enforcement.

### Considerations Relating to the Volcker Rule.

A significant feature of the Dodd-Frank Act is the so-called “Volcker Rule,” which takes the form of Section 13 of the Bank Holding Company Act of 1956 and imposes a number of restrictions on the relationship and activities of banking entities, such as Citigroup and its affiliates, with hedge funds and private equity funds. Specifically and subject to certain limited exceptions, the Volcker Rule prohibits any “banking entity” (generally defined as any insured depository institution, any company that controls such an institution, a non-U.S. banking organization that is treated as a bank holding company for purposes of U.S. banking law, and any affiliate or subsidiary of the foregoing entities) from engaging, as principal, in proprietary trading or sponsoring or investing in “covered funds,” except as permitted pursuant to certain available exemptions. In addition, a “banking entity” may not enter into certain so-called “covered transactions,” as discussed further below, with any “covered fund” that the banking entity sponsors, organizes and offers or for which the banking entity serves as investment manager, investment adviser or commodity trading adviser. The term “covered fund” includes hedge funds and private equity that are privately offered in the United States and that rely on Sections 3(c)(1) or 3(c)(7) of the 1940 Act to avoid being treated as “investment companies” under such Act. Citigroup and its affiliates are “banking entities,” and each of the Alternative Investments is a “covered fund” for purposes of the Volcker Rule.

As noted above, the Volcker Rule and the Implementing Regulations will restrict Citigroup and its affiliates from entering into “covered transactions,” as defined in Section 23A of the U.S. Federal Reserve Act, as amended, with or for the benefit of the Alternative Investments. For example, Citigroup will be prohibited from providing loans and hedging transactions with extensions of credit or other credit support to its covered funds.

In addition, further restrictions and limitations on Citigroup, Citi Advisory and Alternative Investments may emerge as additional regulatory guidance and interpretations are provided on the Volcker Rule and certain aspects of the Volcker Rule remain unclear and susceptible to alternative interpretations. The foregoing is, thus, not an exhaustive discussion of the potential risks the Volcker Rule poses for Citigroup, Citi Advisory, Portfolio Managers, Alternative Investments and investors.

### Illiquidity of the Alternative Investments

The documents governing the Alternative Investments generally impose substantial restrictions on transfers of an interest in the Alternative Investments and require the consent of the Investment Managers to be obtained before any such transfer. Some Investment Managers may withhold such consent for any reason or no reason. Interests in the Alternative Investments will be offered without registration under the Securities Act, in reliance upon an exemption contained in Section 4(a)(2) of the Securities Act, Regulation D and/or Regulation S under the Securities Act. There will be no public market for such interests in the Alternative Investments and, for a variety of regulatory reasons, no such market will be permitted to exist. The only source of liquidity typically lies in an investor’s right to redeem from the Alternative Investments (if any such right even exists). Redemptions from the Alternative Investments, may be subject to various restrictions, including prior notice and minimum redemption requirements, lock-up periods of one year or more, side-pocketed investments, and the right of the Alternative Investments to reduce the amount of redemptions in accordance with a redemption gate. In addition, in the event of a complete redemption from an Alternative Investment, a portion of the redemption proceeds may be retained by such Alternative Investment until the completion of such Alternative Investment’s annual audit.

The Alternative Investments may have discretion to further defer payment of redemption proceeds, to suspend redemptions indefinitely and to satisfy redemptions in kind. In addition, redemption payments from certain Alternative Investments may be based on inaccurate/or estimated data, and may be subject to a return of any overpayments by the investor. Accordingly, an investment in an Alternative Investment is suitable only for certain sophisticated investors who have no need for immediate liquidity in their investment.

### Use of Underlying Fund Managers

Investment Managers may manage other accounts (including collective investment vehicles and accounts in which the Investment Managers may have an interest) that, together with accounts already being managed, could increase the level of competition for the same trades the Investment Managers might otherwise make, including the priorities of order entry. This could make it difficult to take or liquidate a position at a price indicated by the Investment Manager's strategy.

In investing in an Alternative Investment, investors will incur the costs of multiple levels of investment advisory services: the fees to Citi Advisory as described more fully above, and the management and incentive and others fees paid or allocations made to Underlying Fund Managers themselves. The asset-based fees of the Underlying Fund Managers generally are expected to range from 1% to 3%, and the performance-based allocations or fees of the Underlying Fund Managers generally are expected to range from 10% to 30% of net capital appreciation. Citi Advisory and some Underlying Fund Managers may manage or invest in other funds or funds-of-funds, which would add additional layers of fees. In addition to advisory fees and its own investment and operational expenses, each Alternative Investment will incur its share of all of the expenses of the Underlying Funds, including, but not limited to, brokerage commissions and legal and accounting fees. It is possible that affiliates of the Investment Managers will receive fees or other compensation as a result of the Alternative Investments' investments.

Citi Advisory may, and the Underlying Fund Managers of many, and possibly all, of the Underlying Funds will, be compensated through incentive fee or allocation arrangements. Under these incentive fee arrangements, Citi Advisory and the Underlying Fund Managers may benefit from appreciation, including unrealized appreciation, in the value of the account, but may not be similarly penalized for realized losses or decreases in the value of the account. Such fee or allocation arrangements may create an incentive for Citi Advisory and the Underlying Fund Managers to make investments that are unduly risky or speculative. Because Citi Advisory and the Underlying Fund Managers are compensated based on their performance and not the performance of the Underlying Fund or the Alternative Investment as a whole, some Underlying Fund Managers and Citi Advisory may receive fees, including incentive fees or allocation, even though the relevant Underlying Fund or Alternative Investment as a whole is not profitable.

Underlying Fund Managers may provide limited transparency to Citi Advisory into their respective investment activities and operations. While Citi Advisory has policies and procedures in place to evaluate and monitor the operations of Underlying Fund Managers with whom the Alternative Investments invest, there can be no assurance that Alternative Investments will not be exposed to losses due to operational failure, business interruptions, or improper or illegal activities by Underlying Fund Managers. In addition, Citi Advisory's access to information about the Alternative Investments' investments on a daily or regular basis will be limited. Investors in the various Alternative Investments typically have no right to demand such information.



No assurance can be given that adequate diversification will occur, or that if it does, that it will increase, rather than reduce, potential net profits. The use of multiple Investment Managers may cause the Alternative Investments indirectly to hold opposite positions in an investment, thereby decreasing or eliminating the possibility of positive returns from such investment. To the extent that the Alternative Investments do, in fact, hold such positions, the Alternative Investments, each considered as a whole, may not achieve any gain or loss despite incurring expenses.

Citi Advisory will not have any control over the investments made by Underlying Funds. It will be difficult, if not impossible, for an Alternative Investment and Citi Advisory to protect investors from the risk of any Underlying Fund Manager engaging in fraud, misrepresentation or material strategy alteration. Investors themselves will generally have no direct dealings or contractual relationships with any Underlying Fund Manager or the funds they manage.

There is generally no limitation of the size or operating experience of the Alternative Investments. Some smaller Alternative Investments may lack management depth or the ability to generate internally or obtain externally the capital necessary for growth.

#### Misconduct by Employees or Third-Party Service Providers

Misconduct by employees or third-party service providers of the Investment Managers could cause significant losses to the Alternative Investments. Employee misconduct may include binding the Alternative Investments to transactions that present unacceptable risks and unauthorized activities or concealing unsuccessful activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers, including failing to record transactions or improperly performing custodial, administrative and other responsibilities. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the business prospects of the Alternative Investments. There can be no assurance that the measures that the Investment Managers or their affiliates expect to implement to prevent and detect employee misconduct and to select reliable third-party providers will be effective in all cases.

#### Lack of Regulation of Alternative Investments

The Alternative Investments are generally not subject to many provisions of the federal securities and commodities laws that are designed to protect investors in pooled investment vehicles offered to the public in the United States. The interests in Alternative Investments generally are not offered pursuant to registration statements effective under the Securities Act of 1933, as amended. In addition, the Alternative Investments generally are not subject to the periodic information and reporting provisions of the Securities and Exchange Act of 1934, as amended, nor in most cases will those Alternative Investments be registered as investment companies under the Investment Company Act. Similarly, the Investment Managers of Alternative Investments that trade in commodity interests may be exempt from the disclosure, reporting and record-keeping requirements of the Commodity Exchange Act of 1936, as amended. Moreover, certain Underlying Fund Managers may not be registered under the Investment Advisers Act of 1940, as amended. Accordingly, only a relatively small amount of publicly available information about Alternative Investments or Underlying Fund Managers will be available to Citi Advisory in assessing an Alternative Investment and in providing advice to the Alternative Investments. In addition, it is likely that the Citi Advisory will not be able to ascertain investment positions taken by many of the Underlying Funds in which the Alternative Investments invest and it is unlikely

that Citi Advisory will be able to effectively verify many of the valuations provided by Underlying Fund Managers.

### Valuation Risks

Valuations of assets of the Alternative Investments' directly or indirectly held positions may involve uncertainties and require the application of business judgment. If such valuations should prove to be incorrect, the net asset value of an Alternative Investment could be adversely affected. Valuation of assets of the Alternative Investments is generally based on the net asset value of Alternative Investments reported by the Investment Manager in accordance with its practices and policies. With respect to Alternative Investments that allocate to an Underlying Fund, valuation of the assets of such Alternative Investments is generally based on the net asset value of the relevant Underlying Fund reported by its Underlying Fund Manager in accordance with its practices and policies, without independent verification by Citi Advisory. Such practices and policies may not be consistent among Underlying Fund Managers. These valuations may be based on unaudited financial records and, in some cases, may be only a preliminary or estimated calculation of the net asset value and, therefore, may be subject to adjustment (upward or downward) upon the auditing of such financial records.

Because of the way they are compensated, Underlying Fund Managers may have an incentive to exaggerate the valuations of the investments they manage. Because the compensation of Citi Advisory and the Underlying Fund Managers are tied to the net asset value of the Alternative Investments and their investments in Underlying Funds and such valuation includes gains which may never be realized, situations involving uncertainties as to the valuation of the Alternative Investments' assets could have an adverse effect on the net asset value or result in Citi Advisory (and/or the Underlying Fund Managers) receiving compensation for gains that are never realized by the Alternative Investments if valuations should prove incorrect. If an Underlying Fund Manager were to incorrectly value or misrepresent the value of an investment in an Underlying Fund, such incorrect value or misrepresentation could have a material adverse effect on the relevant Alternative Investment.

### Risk Management

Citi Advisory's risk analysis team includes professionals with technical expertise in analyzing the risks of investing in Alternative Investments. Where applicable, Citi Advisory believes that risk management for a fund of funds requires an understanding of market risk and leverage, at both the Alternative Investment level and Underlying Fund level. Accordingly, Citi Advisory's risk analysts maintain a proprietary risk management system that provides processes and tools designed for the complex strategies used by Alternative Investments. No risk management process is fail-safe, and no assurances can be given that Citi Advisory's risk management process will achieve its objective. From time to time, Citi Advisory may modify or change its risk management system in its sole discretion.

### Leverage

The Alternative Investments are generally authorized to borrow funds in order to employ leverage, to manage liquidity and for any other purpose (as specified in their respective account documentation and governing documents). Such borrowings may be secured by a pledge of assets to the lender. Leverage increases the Alternative Investments' exposure to capital risk and higher current expenses through greater exposure to losses, interest charges, fees imposed by lenders and

transaction costs. The interest expenses or other costs incurred by the Alternative Investments in connection with a borrowing may not be recovered by appreciation in the investments carried, which could adversely affect the returns on the Alternative Investments. Any leverage at the Alternative Investment level will be in addition to the often substantial leverage (and related costs and expenses) employed by the Underlying Fund Managers and would serve to further increase the risk associated with these positions.

### Effect of Substantial Redemptions

With respect to Alternative Investments that allow periodic redemptions, substantial redemptions by investors within a short period of time could require an Investment Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of the Alternative Investment's assets. The resulting reduction in the Alternative Investment's assets could make it more difficult to generate a positive rate of return or to recoup losses due to a reduced equity base. Because substantial redemptions may be funded by liquidating the more liquid assets in the portfolio, such redemptions may cause the remaining portfolio to be substantially less liquid overall. Substantial redemptions may also trigger penalty fees as assets are withdrawn from the Underlying Funds to fund such redemptions and/or trigger other limitations on redemptions such as gates and/or suspensions. Amounts due to redeeming investors may be reduced by any such penalties and other costs resulting from such redemptions.

Citigroup and its affiliates may hold a substantial percentage of the Alternative Investment's assets but may withdraw their interests in such Alternative Investments at any time, subject to any lock-up provisions imposed by the Alternative Investments. Such a withdrawal or other substantial withdrawals could require withdrawal of the Alternative Investment's investment in the Underlying Fund which could lead to a rapid liquidation of positions by the Underlying Fund, possibly reducing the value of the Alternative Investment's assets.

### Effects of In-Kind Redemptions

Proceeds of an in-kind redemption may be distributed to an investor directly or indirectly through a distribution of, without limitation, interests in one or more special purpose vehicles holding assets owned by an Alternative Investment or participations therein. To the extent an investor is distributed interests in one or more special purpose vehicles holding participation interests in the assets of such Alternative Investment, an investor may continue to be at risk of such Alternative Investment's business until all such assets are sold. The value of proceeds distributed in kind may increase or decrease before they can be sold either by an investor, if received directly, or by the Investment Manager of such Alternative Investment, if held through a special purpose vehicle. In the case of interests in special purpose vehicles, an investor will share a proportionate portion of the operating and other expenses borne by such vehicle, including possibly fees to the Investment Manager. Additionally, proceeds distributed in kind, either directly or indirectly, may not be readily marketable. The risk of loss and delay in liquidating these assets will be borne by investors. Furthermore, to the extent that an investor receives interests in one or more special purpose vehicles, such investor will generally have no control over when and at what price the assets in which such vehicles have an interest are sold.

### Investment Selection

Citi Advisory will select investments on the basis of information and data prepared by the issuers of such securities or their Underlying Fund Managers or made directly available to Citi Advisory

by the issuers of the securities and other instruments or through sources other than the issuers. Although Citi Advisory evaluates available information and data and seeks independent corroboration when it considers it appropriate and when it is reasonably available, Citi Advisory is not in a position to confirm the completeness, genuineness or accuracy of such information and data.

#### Risk of Limited Number of Underlying Fund Managers: Lack of Diversification.

A Managed Account may, as a result of client instructions or investment objectives, invest with one or a limited number of Alternative Investments and, as a consequence the aggregate returns of the Managed Account may be substantially and adversely affected by the unfavorable performance of even a single investment in such instance, investors have no assurance as to the degree of diversification in the Managed Account's investments. To the extent a Managed Account concentrates investment with one or more particular Alternative investments, the Managed Account's overall performance may become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. A Fund of Funds' assets may become concentrated with one or a limited number of Underlying Fund Managers or Underlying Funds. In that event, a Fund of Fund's portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of those particular Underlying Fund(s) than a less concentrated portfolio. A Feeder will lack diversification since each Feeder will only invest in a single Underlying Fund, and there is no assurance that an Underlying Fund will be diversified. The Underlying Funds may hold a few relatively large equity positions and consequently, a loss in any such position could result in significant losses to the Alternative Investments and a proportionately higher reduction in the net asset value of the Alternative Investments than if the Underlying Funds had invested in a wider number of positions. Such concentration may involve risks greater than those generally associated with more diversified accounts, including significant fluctuations in returns.

#### Investment in Real Estate Funds

Investments in Alternative Investments that are real estate funds expose investors to additional risks. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the investments made by real estate funds. The marketability and value of real estate fund investments will depend on many factors beyond the control of the Alternative Investment or the Investment Manager, including, without limitation: changes in general economic or local conditions and/or specific industry segments; declines in rental or occupancy rates; competition from other developments; changes in supply of or demand for competing properties in an area (as a result, for instance, of over-building); geographic or market concentration; the ability of the Underlying Funds or property managers to manage the real properties; changes in interest rates; the promulgation and enforcement of governmental regulations relating to land use and zoning restrictions, environmental protection and occupational safety; unavailability of mortgage funds which may render the sale or refinancing of a property difficult; location of the properties; the financial condition of borrowers and of tenants, buyers and sellers of property; changes in real estate tax rates and other operating expenses; the imposition of rent controls; energy and supply shortages; various uninsured or uninsurable risks; and natural disasters. These factors may have an adverse impact on the performance of Alternative Investments that are real estate funds, and there can be no assurance that such Alternative Investments will effectively manage these risks.

## Investment in Foreign Securities

The Alternative Investments may, either directly or indirectly through Underlying Fund Managers and Underlying Funds, take positions in non-U.S. securities. Investment in non-U.S. securities may be subject to greater risks than purely domestic investments because of a variety of factors, including currency controls and the fluctuation of currency exchange rates, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. In addition, there may be less publicly available information about non-U.S. issuers than about U.S. issuers, and non-U.S. issuers are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those of U.S. issuers, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges may not accurately reflect the actual circumstances being reported. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S. The Underlying Funds might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures, which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Underlying Funds' performance. The effects of the risk factors described above may be greater for issuers in emerging markets.

## Alternative Investment Fund Managers Directive

The European Union Alternative Investment Fund Managers Directive (the “**Directive**”), as transposed into national law within the member states of the European Union (the “**EU**”), imposes requirements on non-EU alternative investment fund managers (“**AIFM**”) which market alternative investment funds (“**AIF**”) to professional investors within the EU.

In particular, the Directive requires suitable co-operation agreements to be in place as between the relevant regulators of the United States and each EU member state in which interests in Alternative Investments are being marketed, the absence of which will potentially restrict the ability of the Investment Managers and/or Citi Advisory to offer interests to investors in such EU member states and may therefore limit their ability to attract investors based in the EU and lead to a reduction in the overall amount of capital invested in the Alternative Investments. This may, in turn, have an adverse impact upon the operations of the Alternative Investment, including the range of investment strategies that it is able to pursue. The Directive may also impose additional disclosure and reporting requirements in relation to the Alternative Investment and its investments, compliance with which may involve additional costs. In parallel, certain member states of the EU have changed their domestic private placement rules, which may also restrict the ability of Investment Managers and/or Citi Advisory in similar ways and/or impose additional disclosure, reporting and operational requirements. More generally, implementation of the Directive could expose the Investment Managers, Citi Advisory and/or the Alternative Investments to conflicting regulatory requirements in the United States and the EU and its member states. It should be noted that the final scope and requirements of the Directive remain uncertain, and are subject to change as a result of the issuance of any further national and/or EU guidance with respect to the Directive, the enactment of further EU secondary legislation and/or the introduction of further national implementing legislation in relevant EU member states.

## MiFID II

The package of European Union market infrastructure reforms known as MiFID II, in effect from January 3, 2018, is expected to have a significant impact on the European capital markets.

MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in:

- (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments);
- (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and
- (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on our ability or the Investment Managers' ability to execute the investment program of the Alternative Investments.

## Counterparty Risk.

The Alternative Investments are subject to the risk of the failure or default of any counterparty to the transactions of the Alternative Investments. The institutions, including brokerage firms and banks, with which the Alternative Investments do business, or to which securities have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of an Alternative Investment. Hedging transactions, margin trading and other financial mechanisms designed to implement various trading strategies involve counterparty risk elements that may be impossible or impractical to eliminate or may create unforeseen exposures. If there is a failure or default by the counterparty to such a transaction, the contractual and other legal remedies available may be limited or inadequate. Counterparty risk may be reduced but not eliminated through the selection of financial institutions and types of transactions employed.

Underlying Funds are generally not restricted from dealing with any particular issuer or counterparty, or from concentrating any or all of its transactions with one counterparty. These issuers or counterparties may not be subject to credit evaluation or regulatory oversight and the Underlying Funds may have no internal credit function which evaluates counterparty creditworthiness. The ability of the Underlying Funds to transact business with any one or number of issuers or counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Alternative Investments.

### Proprietary Investment Strategies

Underlying Fund Managers may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to Citi Advisory. These strategies may involve risks under some market conditions that are not anticipated by Citi Advisory or the Underlying Fund Managers. Underlying Fund Managers generally use investment strategies that are different than those typically employed by traditional managers of portfolios of stocks and bonds. The investment niche, arbitrage opportunity or market inefficiency employed by an Underlying Fund Manager may become less profitable over time as competing investors manage a larger group of assets in the same or similar manner (tending to arbitrage away the profit opportunities), or as market conditions change.

### Correlation Risk

The success or failure of an investment strategy that may be employed by certain Investment Managers may depend on the correlation between securities within the overall portfolio. In many cases, the strategy will be based on an assumption that historical pricing correlations accurately represent future correlations. In contexts where a strategy is based on identifying apparent pricing anomalies based on historical correlations, a short- or long-term change in those correlations could adversely affect the anticipated market gain achievable from trading on the basis of the strategy.

Historical pricing patterns do not necessarily predict future relationships, particularly at times of serious market disruption or during unusual trading periods or market events. Consequently, the adoption of certain strategies will not necessarily eliminate or modulate market risk. Since many strategies assume a continuation of historical pricing patterns, any substantial deviation from those patterns can result in volatility and losses.

### Cyber Security Risk.

Citigroup, Citi Advisory, the Underlying Fund Managers, the Underlying Funds and each of their affiliates rely on the development and implementation of appropriate systems for their activities. They may rely on computer programs to evaluate certain securities and other investments, to monitor their portfolios, to trade, clear and settle securities transactions, and to generate asset, risk management and other reports that are utilized in the oversight of their activities. In addition, certain of their operations interface with or depend on systems operated by third parties, including loan servicers, custodians and prime brokers, and they may not always be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer “worms,” viruses and power failures. Such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Alternative Investments’ ability to monitor their investment portfolios and their risks. Any such defect or failure could cause the Alternative Investments to suffer financial loss, the disruption of their business, liability to clients or third parties, regulatory intervention or reputational damage.

Citi Advisory, the Alternative Investments, the Underlying Fund Managers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are susceptible to operational, informational security, and related risks that could adversely affect Citi Advisory, the Alternative Investments and their respective investors and clients. Cyber incidents can result from deliberate or unintentional events

and may arise from external and internal sources. For example, parties may attempt to gain unauthorized access to digital or network systems (through “hacking” or malicious software coding) to misappropriate assets or sensitive information; corrupt data, equipment or systems; or cause operational disruptions. Attacks may be carried out by causing disruptions and affect business operations, potentially resulting in financial losses, the inability to transact business or trade, destruction to equipment and systems, loss or theft of investor data, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting the investments in which the Alternative Investments invest, including those affecting Underlying Fund Managers, issuers of securities and other interests, brokers, dealers, exchanges and other financial institutions and market operators.

### GDPR

The General Data Protection Regulation ("GDPR") came into force in May 2018 in the European Union. The GDPR creates significant new requirements regarding the protection of personal data and significantly increases the financial penalties for noncompliance. In the absence of precedence and guidance from EU regulators, the application of GDPR remains unsettled, and costs of compliance as well as consequences of noncompliance may adversely affect the Alternative Investments.

### Interest Rate Risks

The Alternative Investments may have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of the Alternative Investments. Factors that may affect market interest rates include inflation, slow or stagnant economic growth or recession, unemployment, money supply and the monetary policies of the Federal Reserve Board, international disorders and instability in domestic and foreign financial markets. If the Alternative Investments are unable to manage interest rate risk effectively, their performance could be adversely affected.

### Potential Changes relating to the LIBOR calculation process

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on the Alternative Investments and their investments cannot yet be determined. Potential changes in the manner in which LIBOR is determined, uncertainty related to such potential changes and the phase-out of LIBOR may adversely affect the market for LIBOR-based securities, including any LIBOR-indexed, floating-rate debt securities that may be invested in by the Alternative Investments.

### Inadvertent Concentration

It is possible that a number of Underlying Fund Managers might take substantial positions in the same strategy, security or trade at the same time. It is likely that Citi Advisory will not be able to ascertain or control investment positions taken by the Underlying Fund Managers. This could interfere with a Managed Account's or Fund of Fund's goal of diversification or result in unforeseen exposures. Inadvertent concentration in strategies, positions or sectors will reduce portfolio diversification and may result in volatility and losses.



### No Current Income

An Alternative Investment's investment policies should be considered speculative, as there can be no assurance that Citi Advisory's assessments of the short-term or long-term prospects of investments in the Alternative Investments will generate a profit. In view of the fact that there may be no assurance the Alternative Investments will make distributions, that such distributions may be infrequent and that investors may have limited rights to redeem from the Alternative Investments, an investment in an Alternative Investment is not suitable for investors seeking current income for financial or tax planning purposes.

### No Manager Liability Beyond Investment Assets

Subject to certain limitations that will vary between the Investment Managers, an Investment Manager shall generally have no liability to an investor for the return of any investment in such Alternative Investment, it being understood that any such return shall be made solely from such Alternative Investment's assets, if any.

### Indemnification; Return of Redemptions and Distributions.

Investment Managers and other persons retained by an Alternative Investment are entitled to indemnification and/or exculpation for liability and losses incurred or arising out of their performance of services, except under certain circumstances, from the respective Alternative Investment as set forth in more detail in the respective account documents. An Alternative Investment may also enter into indemnification arrangements and other arrangements that impose limitations on liability with its service providers and other parties. In order to meet a particular debt or obligation, an investor may be required to make additional contributions or payments to the Alternative Investment. These indemnification and/or exculpation provisions will limit the right of Citi Advisory or a client to maintain an action against such indemnified persons to recover losses or costs incurred by the client as a result of actions or failures to act of any Underlying Fund Manager or other indemnified person.

### Early Termination

In the event of the early termination of an Alternative Investment, it is possible that, at the time of such sale or distribution, certain securities held by the Alternative Investment would be worth less than the initial cost or previously reported value of such securities, resulting in a loss to investors. Early termination of an Alternative Investment may lead to a rapid liquidation of the Underlying Funds, which may have a negative impact on performance. Alternative Investments may also be faced with limited liquidity because the interests in the Underlying Funds are not freely transferrable or subject to suspensions, gates and other restrictions.

### Limited Operating History

Some Alternative Investments may be newly established and have no or limited operating history. The past performance of the principals of, or entities associated with, the Investment Managers should not be construed as an indication of the future results of an investment in such Alternative Investments. Despite Citi Advisory's initial due diligence and ongoing oversight of an Underlying Fund Manager, the Underlying Fund, and indirectly, the Alternative Investment may suffer losses resulting from a failure of the Underlying Fund Manager's operations, which may include, without limitation, continuity of business, procedural failures, weakness of operational controls and fraud.

### Limited Voting Rights

The documents governing the Alternative Investments will generally provide that investors have no voting rights except in limited circumstances. Generally, investors will have no right to vote on many matters affecting the Alternative Investments, including, without limitation, the election and dismissal of directors, most amendments, supplements or other modifications to the governing documents of the Alternative Investments or the merger and/or consolidation of the Alternative Investments or the liquidation of the Alternative Investments. In addition, investors in the Alternative Investments do not become partners, shareholders or other equity owners of the Underlying Funds and will not have rights as such owners.

### Penalty for Default

An investor that defaults in any payment with respect to its capital commitment to an Alternative Investment may be subject to substantial penalties, which could include for each event of default a reduction in its interest in such Alternative Investment corresponding to a reduction in its capital contributions (but not below zero) by a substantial percentage or other penalties.

### Substantial Fees and Expenses

The Alternative Investments are required to meet certain fixed costs, including organizational and offering expenses, investment-related expenses, and ongoing administrative and operating expenses (such as fees payable to the service providers). These fees and expenses may be substantial and are payable regardless of whether any profits are realized by the Alternative Investments.

### Side Letters and Other Agreements

Some Alternative Investments may enter into separate agreements with certain investors, such as those affiliated with the Investment Managers or those deemed to involve a significant or strategic relationship, to waive or modify certain terms, or to allow such investors to invest in separate classes of interests or separate vehicles with different terms than those of the other investors, including, without limitation, with respect to fees, liquidity or depth of information provided to such investors concerning the Alternative Investment. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors of the Alternative Investment. In addition, the Investment Manager may specifically allocate capacity with respect to some of the Alternative Investment's investments to clients or investors who desire increased exposure to such investments. New classes of interests of the Alternative Investment may be established without the approval of the existing investors.

Some Alternative Investments offer certain investors additional or different information and reporting than that offered to other investors. Such information may provide the recipient greater insights into the Alternative Investment's activities than is included in standard reports to investors, thereby enhancing the recipient's ability to make investment decisions with respect to the Alternative Investment.

### Proprietary Assets

A substantial percentage of a Feeder's or Fund of Funds' assets may be indirectly held by Citigroup and its affiliates, including entities for which Citi Advisory has provided loans for the purpose of

making such investments. These investments are not subject to any lock-up provisions beyond those imposed by the relevant Master Company, Feeder or Fund of Funds, as applicable. There can be no assurance that the assets of Citigroup will remain invested in a Feeder or Fund of Funds, as applicable, and Citigroup and its affiliates reserve the right to redeem at any time. It is the intention of Citigroup and its affiliates to withdraw or redeem the Citigroup assets once sufficient assets (as determined by Citigroup) have been raised by the Feeder from investors not affiliates with Citigroup. Any negative impact on performance relating to the liquidation of positions to meet any withdrawal or redemption of the Citigroup assets will be borne by the investors.

#### Capacity Restraints of Underlying Fund Managers

Underlying Funds may impose or be subject to capacity restraints. In the event that capacity with any one Underlying Fund Manager is limited or may be limited in the future, subject to Citi Advisory's allocation procedures, certain Managed Account clients may be allowed to invest ahead of other investors, even if such investors have previously allocated assets to such Underlying Fund Manager or its relevant Feeder, with the result that certain investors may no longer have any additional future capacity with such Underlying Fund Managers.

#### **Item 9. Disciplinary Information**

No legal and disciplinary events that may be material to clients and prospective clients are required to be disclosed as required by this Item 9. Additional information about legal and disciplinary events involving Citi Advisory or its management person is available in Item 11 of Part 1A of Citi Advisory's Form ADV, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Many of the officers and employees of Citi Advisory making investment decisions have in the past held, and will continue to hold, similar positions as officers and employees of affiliates of Citi Advisory. Citi Advisory may share resources, other employees and management, as well as investment ideas and opportunities, with any or all affiliates engaged in similar activities. Certain employees of Citi Advisory are registered as broker-dealer representatives of Citigroup Global Markets Inc. as well as with Citi Advisory.

#### ***Other Registrations***

Citi Advisory is a registered (i) as a Commodity Trading Advisor and a Commodity Pool Operator with the CFTC and is a member of the National Futures Association and (ii) as a broker-dealer with the SEC and is a member of FINRA. Currently the HedgeForum Feeders, the Funds of Funds, and the Managed Accounts are operated in accordance with the certain applicable exemptions from commodity pool operator and commodity trading advisor registration, as applicable, as described in the applicable account documentation.

#### ***Material Relationships or Arrangements with Certain Related Persons***

##### Broker-Dealer

Citigroup Global Markets Inc. ("CGMI"), a registered broker-dealer, and Citi Advisory each serves as a distributor of the HedgeForum Feeders, and serves as a distributor or referral agent of the RE Feeders, PE Feeders, Managed Accounts and Funds of Funds. Citibank, N.A. and other

Citigroup affiliated entities also serve as distributors, placement agents or referral agents for these Citi Advisory advised funds and accounts. Such affiliated distributors may charge placement or other fees to clients as provided in the relevant account documentation. CGMI, Citi Advisory and certain other affiliated placement agents may also receive from a Portfolio Manager an investor Servicing Fee which may give such placement agents an incentive to place investments in Alternative Investments with higher servicing fees. In addition, they may share in certain fees paid to Citi Advisory in its capacity as investment manager to an Alternative Investment. See Item 5 “Fees and Compensation” and “Compensation from Portfolio Managers” below.

Citi Advisory may, in certain limited circumstances select CGMI as a broker-dealer in respect of the Feeders, Managed Accounts, and Funds of Funds. See Item 12.

### Banking Institutions

As described above, certain Citigroup affiliates serve as distributors or referral agents for Citi Advisory advised funds and accounts.

As described in Item 4 “Services Provided: Managed Accounts,” Citibank, N.A. and other Citigroup affiliates provide administrative, custodial and other services to the Managed Accounts.

Certain Feeders and the Funds of Funds may retain Citibank, N.A. to provide certain cash account services.

### ***Compensation from Portfolio Managers***

Certain Master Companies will pay Citi Advisory, Citigroup Global Markets, Inc., or other affiliates of Citi Advisory, as consideration for investor services conducted by Citi Advisory and its affiliates in connection with the investment in such Master Company by the relevant Feeder, a Servicing Fee. Non-Platform Funds may also pay Citigroup Global Markets, Inc., Citi Advisory or other affiliates Servicing Fees. See Item 5 “Fees Charged: HedgeForum, Private Equity and Real Estate Platform.” Such Servicing Fees may influence Citi Advisory’s allocation of, or recommendations relating to, investment opportunities.

Citi Advisory and other Citigroup affiliates will receive fees or other compensation for services, including placement or distribution services, (including but not limited to financial advisory, prime brokerage, lending, investment banking and custodian services) rendered to the Portfolio Managers on the Platforms (including the Servicing Fee) or to issuers of any securities in which such Portfolio Managers invest. This arrangement presents certain conflicts of interest as the Servicing Fee and other fees or compensation payable to the Citi Advisory and Citigroup-affiliated placement agents can vary among the Feeders, which may give the Citigroup affiliated placement agents an incentive to propose investments in Feeders with higher fees. The Feeders will not share in any such compensation; however, Managed Account clients will receive rebates or credits of any Servicing Fees attributable to the Managed Accounts as provided in the relevant account documentation.<sup>1</sup>

---

<sup>1</sup> Deleted language was a repeat of language above.

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

### ***General***

Employees and certain other persons who perform services that support the investment advisory business of Citi Advisory are bound by the Employee Personal Trading and Investment Policy for Citi Brokerage (“ETP”) and the Advisory Persons Fiduciary Code of Ethics (“Code of Ethics”). The Code of Ethics is designed to comply with applicable regulatory requirements including Rule 204A-1 of the Investment Advisers Act of 1940, as amended.

Both the ETP and the Code of Ethics govern the trading of employees who support the investment advisory business of Citi Advisory and the family member/related persons accounts over which the employee has investment discretion.

Certain representatives within Citi Advisory are considered covered persons under the ETP. This policy governs the manner in which the covered persons’ trading account information is made available to the firm’s compliance department and defines instances where pre-clearance or supervisory pre-approval may be appropriate. Covered persons are subject to a number of restrictions including 1) prohibition on conduct of personal trades in securities for which they are in possession of material, non-public information; 2) prohibition on securities noted on the firm’s restricted list, and 3) prohibition on trading in securities where new and material research has been published. Other restrictions exist with respect to “new issue”/public offerings and trading of Citigroup shares.

Covered persons are further prohibited from engaging in market timing strategies with respect to mutual fund transactions in covered accounts.

Certain supervisory staff are responsible for reviewing all personal trading activity of their covered employees for indications of improper trading activity and insider trading.

When Citi Advisory personnel purchase or sell certain securities for their own accounts on the same day that transactions in these securities are affected for client accounts, the price paid or realized by advisory personnel generally may not be more advantageous than the price at which the client transactions are effected. If orders by Citi Advisory personnel are part of a batched client order and the entire block of securities is then not executed on the same day, no part of the order executed is permitted to be allocated to any advisory personnel.

The Code of Ethics describes the standards of business conduct for Citi Advisory’s investment advisory business, including the fiduciary obligations owed to the clients and the obligation to comply with applicable laws. The Code of Ethics incorporates and is supplemented by other Citi policies and procedures, including policies and procedures designed to protect the flow of material non-public information and the confidentiality of client information and those imposing personal trading and investment restrictions, maintenance of personal securities trading accounts and reporting of personal securities holdings and transactions. The purposes of the Codes of Ethics and the related policies and procedures include minimizing potential conflicts of interests between employees and investment advisory clients and assuring compliance with applicable laws and regulations. Each person covered under the Code of Ethics receives a copy of the Code of Ethics upon being designated as a covered person and annually thereafter. They must sign an attestation that indicates that they have read and understand such Code of Ethics. In conjunction with this

attestation, all covered persons are required to report any violation or potential violation of which they might become aware.

A copy of Citi Advisory's Code of Ethics will be provided to any client or prospective client who mails a written request to:

Citi Private Advisory, LLC  
388 Greenwich Street  
New York, NY 11013  
Attention: Scott Spilkevitz, Chief Compliance Officer

### ***Participation and Interest in Client Transactions***

Citi Advisory and its affiliates from time to time recommend securities in which they directly or indirectly have a financial interest and may buy and sell securities that are recommended to clients for purchase and sale. They also may provide advice and take action in the performance of their duties to clients which differs from advice given, or the timing and nature of action taken, for other clients' accounts. Moreover, Citi Advisory or any of its affiliates may advise or take action for itself or themselves differently than for clients. In addition, Citi Advisory, its affiliates, and employees, may invest with any investment manager. Citigroup and certain of its affiliates manage a number of affiliated funds and investment products for their own account that may invest in Alternative Investments.

Citi Advisory or its affiliates may, from time to time, act as principal for their own accounts in connection with a Feeder's securities transactions, including selling securities as principal to, and buying securities as principal from, the Feeder. Citi Advisory or its affiliates may retain any profits that they may make in such transactions. Citi Advisory or its affiliates may retain any commissions, remuneration or other profits which may be made in such transactions. From time to time, Citi Advisory imposes restrictions to address the potential for self-dealing by Citi Advisory and conflicts of interest that may arise in connection with Citi Advisory's businesses. Citi Advisory has adopted various procedures to guard against insider trading.

However, Citi Advisory personnel are not subject to additional personal trading restrictions, such as extended blackout periods, that are applicable to Citi Advisory employees who are associated with an affiliated manager.

### ***Other Conflicts of Interest***

As an indirect subsidiary of Citigroup, Citi Advisory is a member of a large corporate conglomerate consisting of many affiliated entities. There may be situations in which the interests of the Underlying Fund or Alternative Investment may conflict with the interests of one or more general accounts of Citi Advisory and/or Citigroup. In addition, Citigroup has existing and potential relationships with a significant number of institutions and individuals. Affiliates of Citi Advisory engage in a broad spectrum of activities, including financial advisory activities, merchant banking, lending, arranging securitizations and other financings, sponsoring and managing private investment funds, engaging in broker-dealer activities, and other activities, and they have extensive investment activities that are independent from, and may from time to time present potential conflicts of interest with, Citi Advisory's clients. Many of these potential conflicts of interest arise in connection with the investment banking activities and other investment management activities of Citi Advisory affiliates.

Citi Advisory has taken certain steps to ameliorate these potential conflicts of interest. Citi Advisory is organizationally and legally separate from and reports through different channels from the investment banking businesses of Citigroup. Citi Advisory's compensation, including that of its employees, is independent of the activities of its affiliates (not including distribution activities related to Citi Advisory's advised funds and accounts), although Citi Advisory has an inherent interest in the value of the Citigroup conglomerate. Information barriers have been erected that are designed to prevent the flow of non-public information between Citigroup's investment management activities, which include Citi Advisory, on the one hand and its investment banking and direct investment activities, which include Citigroup Global Markets Inc., on the other hand.

Citi Advisory affiliates may provide services to, invest in, advise, sponsor and/or act as investment manager to investment vehicles and other persons or entities which may have similar structures and investment objectives and policies to those of the Alternative Investments and/or the Underlying Funds and which may compete with the Underlying Funds for investment opportunities. Citi Advisory and its affiliates may give advice and take action in the performance of their duties to clients and certain Alternative Investments that may differ from the timing and nature of actions taken with respect to investments made by other Alternative Investments (or the Underlying Funds in which they invest). In addition, Citi Advisory and its affiliates, principals, directors, officers, employees and clients may themselves invest in securities that are investments of, or that would be appropriate for, the Underlying Funds and may compete with the Underlying Funds for investment opportunities. It is possible that such persons or entities will take positions either similar or opposite to positions taken in respect of Alternative Investments (or the Underlying Funds in which they invest).

Citigroup affiliates will receive fees (including but not limited to financial advisory, prime brokerage, lending, investment banking and custodian services) or other compensation for services rendered to the Underlying Fund Managers or to issuers of any securities in which such Underlying Fund Managers invest. The Alternative Investments will not share in any such compensation. In addition, Citi Advisory may earn higher fees or compensation for services rendered to certain Alternative Investments by the Underlying Fund Managers, which may give Citi Advisory an incentive to allocate additional capacity, or recommend allocation, to certain Underlying Portfolio Manager or Alternative Investments.

Generally speaking, the officers and employees of Citi Advisory will devote such time in respect of the Feeders, Funds of Funds and Managed Accounts as they deem necessary to carry out the operations of such funds and accounts. However, officers and employees of Citi Advisory are not necessarily required to devote full time to a given fund's, account's or clients' business and they may have conflicts of interest in allocating their time between such fund, account or client and other related or unrelated activities.

Investors in the Feeders and Funds of Funds are expected to include entities and persons located in various jurisdictions, who may have conflicting investment, tax and other interests with respect to their various investments. As a result, with respect to a particular Feeder, Portfolio Company Feeder, or Fund of Funds, conflicts of interest may arise in connection with decisions made by Citi Advisory or its affiliates that may be more beneficial for one type of investor than another type of investor. Citi Advisory will follow the investment objective and standards for resolving such conflicts set forth in each Feeder's or Fund of Funds' governing documents—e.g., by focusing on the pre-tax investment objectives of a fund as a whole.

Certain advisors and other service providers, or their affiliates, (including, without limitation, accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to the Alternative Investments (or to the Underlying Funds in which they invest) may also provide goods or services to or have business, personal, political, financial or other relationships with Citi Advisory or its affiliates. These relationships may influence Citi Advisory in deciding whether to select or recommend such a service provider to perform services for the Alternative Investment and/or the Underlying Funds in which they invest (the cost of which will generally be borne directly or indirectly by the Alternative Investment). In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to Alternative Investments (or to the Underlying Funds in which they invest), Citi Advisory and/or each of their affiliates as compared to services provided to the Alternative Investments, which may result in more favorable rates or arrangements than those payable by the Alternative Investments.

Further, other present and future activities of Citi Advisory, the Investment Managers, the Underlying Funds, the Alternative Investments and/or their respective affiliates may give rise to additional conflicts of interest not contemplated herein.

### ***Procedures for Resolving Conflicts of Interest***

On any issues involving actual conflicts of interest, Citi Advisory will be guided by its legal obligations, including but not limited to the contractual requirements governing such situation, as well as its good faith judgment as to a client's best interests. Citi Advisory may refer the matter to a committee designed to monitor fiduciary relationships. Subject to the applicable investment management agreement and other governing documents, Citi Advisory may take such actions as it may deem necessary or appropriate to ameliorate the conflict.

### **Item 12. Brokerage Practices**

Citi Advisory does not utilize client's agency commission dollars to purchase research and other services (i.e. soft dollars).

Given the nature of Citi Advisory's investment management services, which typically do not involve direct investing or selecting brokers, it is not expected that Citi Advisory's activities in the normal course will involve selecting broker-dealers in respect of its advised funds and accounts. However, a Feeder or Fund of Funds may receive in-kind distributions from a Master Company or an Underlying Fund in the form of securities or otherwise and such in-kind distributions may be illiquid or in the form of restricted securities. With respect to such distributions, Citi Advisory may have the discretion to sell such securities and distribute the cash proceeds, distribute such securities in-kind or offer the fund investors the option, subject to Citi Advisory's consent, either to receive the securities in-kind or have the fund sell them and distribute the cash proceeds. To the extent Citi Advisory engages in services which require selecting broker-dealers, Citi Advisory generally is not limited in its authority to select broker-dealers for trade execution. Citi Advisory generally considers it appropriate (unless there are relevant factors such as customer direction or legal requirements or policy decisions to the contrary) to use the execution services of affiliated broker-dealers for the purchase and sale of such securities for investment advisory clients. Citi Advisory's affiliates will receive compensation in connection therewith. As discussed below in connection with unaffiliated broker-dealers, in light of all of the factors bearing upon the execution services provided by Citi Advisory's affiliated broker-dealers, the commissions charged may exceed those that other broker-dealers may charge. Any such transactions will be executed by Citi



Advisory's affiliated broker-dealers only to the extent permitted by, and in compliance with, applicable law and regulations, including Section 11(a) of the Securities Exchange Act of 1934.

In selecting an unaffiliated broker-dealer for trade execution, Citi Advisory uses its best judgment to select a broker-dealer that provides prompt and reliable execution at favorable securities prices and reasonable commission rates. Ordinarily, the best net price, giving effect to brokerage commissions and other costs, is the determining factor, but a number of other factors also may enter into the decision. These factors may include: the nature of the security being traded; the size and complexity of the transaction; the desired timing of the transaction; the existing and expected activity in the market for particular securities; confidentiality; and the execution, clearance, and settlement capabilities and financial condition and other relevant and appropriate services of the broker-dealer.

Citi Advisory does not intend to aggregate the securities to be sold or purchased with respect to the Feeders, the Funds of Funds or the Managed Accounts.

### **Item 13. Review of Accounts**

With respect to the Feeders and the Funds of Funds, Citi Advisory's clients are the respective Feeders or Funds of Funds, not the underlying investors. Citi Advisory will provide each Feeder's or Funds of Funds' governing body with periodic reports from its senior portfolio managers and/or research analysts concerning such fund's investments and performance. Such reports will be provided at least annually. While the Feeders' and the Funds of Funds' underlying investors are not advisory clients of Citi Advisory and will not receive periodic reports from Citi Advisory as advisory clients, such investors will be provided by the funds with annual audited financial statements of the applicable fund. In addition, investors will receive monthly statements, certain periodic performance reporting (either monthly or quarterly depending on the fund) from the applicable fund is available to the fund's placement agents and investors can receive such reports upon request.

With respect to the Managed Accounts, Citi Advisory's clients are the holders of the Managed Account. The relevant advisory agreement and related account documentation will specify the reports to be provided to the client, but generally holders of Managed Accounts receive at least a monthly statement. Non-Discretionary Managed Account clients will receive directly any reporting provided by the Underlying Funds in which such accounts invest. Clients (other than "HedgeForum Direct" Clients) will also receive periodic "Client Reviews," which are statistical reviews and analysis of their Managed Account performed by either senior portfolio managers or senior research analysts.

Generally, absent extraordinary circumstances, Citi Advisory does not intend to review accounts except as otherwise described above or set forth in the particular account documentation.

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

Many of the officers and employees of Citi Advisory making investment decisions, have in the past held, and may continue to hold, similar positions as officers and employees of affiliates of Citi Advisory, including Citibank N.A., Citibank Europe plc, and Citigroup Global Markets Inc. Citi Advisory may share resources, other employees and management, as well as investment ideas and opportunities, with any or all affiliates engaged in similar activities. Certain employees of Citi Advisory are registered as broker-dealer representatives of Citigroup Global Markets Inc.

Citi Advisory, Citigroup Global Markets Inc., Citibank, N.A. and other affiliates may act as placement agents for securities issued by vehicles or accounts managed by Citi Advisory and will receive fees in respect of such activities. See Item 10 “Compensation from Portfolio Managers” for a discussion of the Servicing Fees that affiliates of Citi Advisory may receive from certain Portfolio Managers.

## **Item 15. Custody**

Citi Advisory will cause the Feeders, Funds of Funds and any related special purposes vehicles to maintain its funds and securities with a qualified custodian, which includes a U.S. bank, an SEC-registered broker-dealer, a CFTC-registered futures commission merchant, and a foreign financial institution that segregates Client assets.

In addition, each Feeder, Fund of Funds or special purpose vehicle is required to either (i) be audited by an independent auditor (i.e. independent of Citigroup, Inc., as determined by applicable SEC rules and/or regulations) at least annually and to provide audited financial statements to its investors within 120 days (or 180 days for a Feeder or a Fund of Funds) after the end of its fiscal year, or (ii)(a) the relevant fund custodian will send each such fund investor an account statement at least quarterly showing such fund’s quarter-end positions and NAV, and the fund’s aggregate account transactions during the quarter, and (b) Citi Advisory will engage an accounting firm to perform a “surprise” examination of Citi Advisory’s custody activities related to such Feeders, Funds of Funds or SPVs. Clients should read the account statements carefully.

With respect to Managed Accounts, Citi Advisory will be deemed to have custody of a client’s funds and securities, if Citi Advisory (i) has possession of those funds or securities, (ii) is authorized or permitted to withdraw funds or securities held by the account custodian by instruction to the custodian, or (iii) is authorized to direct the Managed Account’s custodian how to dispose of or apply funds or securities in the Managed Account. The quarterly statement and surprise audit procedures for custody with regard to a fund described under (ii) in the preceding paragraph will apply to any Managed Account for which Citi Advisory is deemed to have custody. As discussed above a third-party sub-custodian has been appointed to maintain custody of certain funds and securities.

## **Item 16. Investment Discretion**

### ***Feeders and Funds of Funds***

Citi Advisory has the authority to determine, without obtaining specific client consent, the investments and temporary investments a Feeder or Fund of Funds will acquire, subject in each case to the limitations and restrictions described in the Feeder’s or Fund of Fund’s account documentation and governing documents. A Feeder or Fund of Funds may receive in kind distributions from a Master Company or an Underlying Fund in the form of securities or otherwise and such in kind distributions may be illiquid or in the form of restricted securities. With respect to such distributions, Citi Advisory may have the discretion to sell such securities and distribute the cash proceeds, distribute such securities in kind or offer the fund investors the option, subject to Citi Advisory’s consent, either to receive the securities in kind or have the fund sell them and distribute the cash proceeds. While Citi Advisory will generally endeavor in such instances to sell or to distribute marketable securities promptly, investors will bear any associated costs or market risks during the disposition process. With respect to a Dedicated Portfolio of a Funds of Funds the

related account documentation will specify any limitations on the Investment Manager's investment authority.

### ***Managed Accounts***

The relevant advisory agreement and related account documentation will specify the investment authority (including limitations on it) granted to Citi Advisory by the holder of the Managed Account.

### **Item 17. Voting Client Securities**

In providing investment advisory services to the Funds, Citi Advisory generally does not vote proxies with respect to the securities held by the underlying portfolios. Proxies are typically voted by underlying managers in accordance with their proxy voting policies.

Because Citi Advisory's products are Managed Accounts, Feeder Funds, and Funds of Funds, and rarely engage in direct trading of equities, the exercise of proxy voting rights typically involves votes with respect to terms and structure changes governing underlying, third party funds. In evaluating these proxies, Citi Advisory considers numerous factors relating to each product, which may include how the vote could affect the value of the investment, the liquidity of the underlying fund in the overall context of the portfolio as well as in comparison to peer fund managers implementing similar strategies. In voting or abstaining from voting a proxy, Citi Advisory will act as it deems is in the best interest of the underlying investors, and in accordance with Citi Advisory's proxy voting policy.

In voting proxies, Citi Advisory is guided by general fiduciary principles. The goal to act prudently, solely in the best interest of the beneficial owners of the accounts and funds it manages. Citi Advisory will attempt to consider all factors that could affect the value of the investment and will vote proxies in the manner that they believe will be consistent with efforts to maximize investor values.

### **Item 18. Financial Information**

Under relevant SEC rules, Citi Advisory is not required to disclose information about its financial position or balance sheets because all client fees owed Citi Advisory are paid in arrears and Citi Advisory believes that, as of the date hereof, there is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.

### **Item 19. Requirements for State-Registered Advisers**

Citi Advisory does not believe it is required to register with any state securities authorities and has not done so.