

Brochure
(Part 2A for Form ADV)

P&A Fund Management, Inc.

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This brochure provides information about the qualifications and business practices of our firm, P&A Fund Management, Inc. If you have any questions about the contents of this brochure, please contact us. The U.S. Securities and Exchange Commission, as well as state securities authorities, have not approved or verified information in our brochure. Additional information about our firm may be found at www.adviserinfo.sec.gov.

Material Changes

This section of our brochure summarizes only material changes that have occurred at our firm since March 31, 2014, the date of the previous release of our brochure. We will update this section in the brochure on an annual basis and may send Clients and Investors (as defined herein) a summary of any material changes at our firm in a separate mailing, such as along with our annual privacy policy mailing. Clients and Investors may receive a complete copy of our brochure by contacting our firm at 212-764-6455 or at funds@peyalex.com.

On March 31, 2015, David Zuckerman will begin to serve as Chief Compliance Officer of P&A Fund Management, Inc. and Anthony Peyser will cease to serve as the Chief Compliance Officer.

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Advisory Business

This brochure describes the investment advisory services we provide.

We are owned by David E. Alexander and Tony C. Peyser and have been in business since 2000.

We are the investment manager to six limited partnerships and also provide sub-advisory services to one offshore fund (each a “Fund,” and together, the “Funds”). Each Fund operates as a hedge fund-of-funds, meaning it invests assets in a diversified investment portfolio of alternative investment vehicles (“Underlying Funds”) such as hedge funds or other collective investment vehicles, managed by various professional investment managers (“Portfolio Managers”). The Funds do not make direct purchases of marketable securities; however most of the Portfolio Managers and Underlying Funds do directly invest in marketable securities. Most Underlying Funds are organized as domestic limited partnerships, limited liability companies or offshore funds. Portfolio Managers may also manage assets through a separately managed account. P&A Capital Advisors, Inc. (“P&A Capital Advisors” or the “General Partner”), an affiliated firm which is managed by officers of our firm, serves as general partner to the six onshore Funds and as investment manager to the one offshore Fund and has delegated exclusive investment decision-making authority and day-to-day management of the Funds and the separately managed account (discussed below) to us. We monitor the performance of each Underlying Fund and may adjust the amount of assets allocated to any Underlying Fund. We may add or replace Underlying Funds at any time, in our sole discretion, without notice to or the consent of limited partners or shareholders who invest in the Funds (“Investors”).

The Funds we advise are:

- P&A Diversified Managers Fund, L.P. (“DMF”)
- P&A Multi-Sector Fund, L.P. (“MSF”)
- P&A Select Strategy Fund, L.P. (“SSF”)
- P&A Balanced Fund, L.P. (“BAL”)
- P&A Multi-Sector Fund II, L.P. (“MSF II”)
- P&A Diversified Insurance Fund, L.P. (“DIF”)
- P&A Diversified Managers Offshore Fund, Ltd. (“DMOF”)

Additionally, we also advise a separately managed account, AGL P&A Select Multi Manager Separately Managed Division (“AGL”). AGL invests in Underlying Funds along with the other Funds and also invests in four of the Funds, DMF, MSF II, SSF and BAL. We advise AGL on a discretionary basis. We advise AGL and the Funds as our advisory clients (“Clients”).

As of January 1, 2015, we manage approximately \$340 million in assets for eight (8) Clients on a discretionary basis. The total regulatory assets under management includes approximately \$12 million that certain of our private funds or separate account Clients have invested in our other private fund Clients. This amount has not been netted out of the assets under management amount of these other private funds Clients that are receiving the investment. Consequently, we count this \$12 million twice in our reporting of regulatory assets under management.

Clients and Investors should be aware that this brochure is not an offer to purchase any interest or shares in the Funds above and is only intended to provide information about our firm. The Funds are private investment vehicles qualifying for an exception from the definition of an “investment company” under the

Investment Company Act of 1940, as amended, and interests or shares in them will not be publicly offered as securities.

Fees and Compensation

GENERAL INFORMATION ON OUR FEES

The General Partner receives management fees and in the case of certain Funds, an incentive allocation of net profits in each applicable Fund. The General Partner also receives fees from the separately managed account. The General Partner shares all or a portion of this compensation with us for the investment advisory services that we provide to the Clients. Unless otherwise specified, references to “us” or “we” in this “Fees and Compensation” section or in the following “Performance-Based Fees and Side-By-Side Management” section shall refer to both us and the General Partner.

MANAGEMENT FEES FOR FUNDS

Unless otherwise noted, fees are calculated monthly and paid quarterly in arrears based upon the net asset value of each Investor’s capital account as of the end of each quarter in each Fund and such fees are deducted from Client assets.

<u>Fund</u>	<u>Management Fee</u>
DMF	1.00%
MSF Class A	1.00%
MSF Class B	1.50%
SSF	2.00%
BAL	1.75% (up to \$2,000,000) 1.50% (over \$2,000,000 up to \$4,000,000) 1.25% (over \$4,000,000)
MSF II Class A	1.00%
MSF II Class B	1.50%
DIF	1.50%
DMOF Class A	1.75%
DMOF Class B	1.50%
DMOF Class C	1.25%
AGL	1.75%

OTHER INFORMATION ON FEES AND EXPENSES OF FUNDS

We may advise other funds in the future that have higher or lower fees than described above or that have a different fee structure altogether. We reserve the right to reduce or waive our fees with respect to any Investor without any obligation to provide notice to or obtain the consent of any other Investor.

The Portfolio Managers also charge fees and expenses. Each Fund must bear a *pro-rata* share of these fees and expenses. In general, these fees are a 1.5% - 2.0% management fee and a 15% to 20% incentive fee or allocation. Even if a Fund may not be profitable as a whole, it still may have to pay incentive fees or allocations to a Portfolio Manager with which it invests. This layering of fees reduces the rate of return Clients (and indirectly, Investors) derive from an investment in a Fund and the fees paid may be higher than other investment alternatives.

To the extent DIF or AGL invests in any of the Funds, they each pay a pro-rata share of the expenses of each Fund. However, in this scenario, we waive any management fees and/or performance allocations/fees payable regarding assets of DIF or AGL invested in such other Funds.

Each Fund bears additional expenses related to its ongoing operations and sale of interests or shares. These costs include the costs for the periodic updating of the memorandum and other offering documents, legal and accounting fees, tax preparation and audit fees, fees to each Fund's administrator, expenses of printing and mailing and costs of regulatory compliance. We also provide each Fund, at no charge, office space and staff. Each Fund also bears its own investment and business-related expenses, including management fees and their pro-rata share of all expenses incurred by Portfolio Managers. Fees of the Portfolio Managers can include their respective management fees and performance fees or allocations, interest expenses, brokerage commissions, custodial fees, taxes, legal and accounting expenses, and other similar expenses. Brokerage commissions are further discussed below under "Brokerage Practices".

FEES FOR SEPARATELY MANAGED ACCOUNT

We charge our AGL separately managed account a management fee of 1.75% per annum based on assets under management. We allocate 0.50% of this fee to AIG American General Life Insurance to offset administration and other fees.

Performance-Based Fees and Side-By-Side Management

We receive performance-based compensation (also known as the "Incentive Allocation") calculated as a share of the capital appreciation of some of the Funds noted below. We only receive performance-based compensation that complies with Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"). We do not charge performance-based compensation on our separately managed account. Performance-based compensation is calculated and accrued monthly, but paid annually.

<u>Fund</u>	<u>Incentive Allocation</u>
DMF	2.50%
MSF Class A	10.00%
MSF II Class A	10.00%

Performance-based compensation, in a given year, for Investors holding Class A interests of MSF and MSF II is subject to a ten percent (10%) priority return to Investors and to a high water mark. Consequently, the Incentive Allocations for MSF (Class A) and MSF II (Class A) shown above apply only to returns in excess of the 10% priority return. A high water mark means the Incentive Allocation only applies to returns above the highest peak in value of investment returns for the investment.

As noted above, the Portfolio Managers also charge incentive fees or allocations, which are generally around 15% to 20%.

The payment of performance-based compensation creates a conflict of interest since it may cause us and the Portfolio Managers to make investments that are more speculative than might be the case in the absence of such fee arrangements.

In addition, we serve as the investment manager of several different Funds and a separately managed account as set forth above and may serve as investment manager of other funds organized in the future. Although the investment strategies of these Clients differ from each other, there may be significant overlap in their investments in Underlying Funds and we may face a conflict in determining which Client will invest in a particular Underlying Fund. This conflict will be especially acute where an Underlying Fund has limited capacity, for regulatory or other reasons, to accept additional investors. Because each of the Clients has a different fee structure, a conflict of interest exists where the General Partner and/or our firm must allocate any limited investment opportunities among the Clients, and may have an incentive to allocate to a Client with a fee structure more favorable to the General Partner and/or our firm than to another Client. We will generally address these conflicts by allocating investment opportunities among those Clients for which participation in the investment opportunity is considered appropriate in an equitable manner, taking into account, among other considerations, whether the risk-return profile of the proposed investment is consistent with the Client's objectives and the liquidity requirements of the Client. Such considerations may result in allocation on other than a *pari passu* basis.

Types of Clients

Our only clients are the Funds and the separately managed account. Interests or shares in the Funds are appropriate only for Investors who are "accredited investors," as defined under Regulation D of the Securities Act of 1933, as amended ("Securities Act"), and "qualified clients," as defined in Rule 205-3 under the Advisers Act. In addition, only investors who are also "qualified purchasers," as defined in the Investment Company Act, may invest in MSF, DMOF, and DIF. Furthermore, only Investors that are insurance companies are being offered the opportunity to invest in DIF.

A purchase of an interest or shares in a Fund does not constitute a complete investment program and is only intended for those Investors that fully understand and are willing to assume the risks involved in the investment program of a Fund.

The Funds offer interests or shares subject to our right to reject, in our sole discretion, any subscription to purchase, in whole or in part. The minimum investment amount in any of our Funds is \$500,000, subject to our discretion to accept contributions of lesser amounts.

Generally, we offer interests or shares in the Funds to high net worth individuals and families, including family estate planning vehicles, as well as endowments, trusts, foundations, pension plans and insurance companies.

Methods of Analysis, Investment Strategies and Risk of Loss

We identify, evaluate and monitor the Portfolio Managers and Underlying Funds in which the Funds invest. We identify Portfolio Managers through referrals, word of mouth, review of industry publications, conferences and similar sources. We conduct detailed due diligence on each Portfolio Manager and the Underlying Fund(s) that they manage, including an in-depth review of a Portfolio Manager's performance results, infrastructure, research capabilities, money under management, investment strategy, operations and similar factors. The Portfolio Managers with whom the Funds may invest employ a variety of

strategies (including, but not limited to, long/short trading of U.S. equities, credit, short term trading, growth and value investing, convertible securities and macro funds) which focus on a variety of industries (including, but not limited to, technology and healthcare).

Any investment or investment strategy involves some risk of loss that Clients (and indirectly, Investors) should be prepared to bear. Examples of risks Clients (and indirectly, Investors) could face are:

- *Investing in the Underlying Funds:* The investments of the Funds are concentrated in the Underlying Funds, and a Fund's investment performance is directly related to the investment performance of the Underlying Funds it holds. The ability of a Fund to meet its investment objective is directly related to the ability of the Portfolio Managers of the Underlying Funds to meet their objectives as well as to the allocation among Underlying Funds by our firm. Because the Funds invest in Underlying Funds, Investors will be affected by the investment policies and practices of the Portfolio Managers of those Underlying Funds in direct proportion to the amount of assets the Funds allocate to those Underlying Funds.
- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, market values of bonds decline when interest rates rise because the rising rate makes the existing bond yields less attractive.
- *Market Risk:* External factors independent of a security's particular underlying circumstances may impact its price. The price of a security may drop in reaction to tangible and intangible events and conditions such as a political or a social event or an economic condition.
- *Inflation Risk:* Inflation means a dollar today will not buy as much as a dollar in the future. When any type of inflation is present your purchasing power decreases at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also known as exchange rate risk.
- *Reinvestment Risk:* The risk that future proceeds from investments may be reinvested at a potentially lower rate of return is reinvestment risk. This risk primarily relates to fixed income securities.
- *Liquidity Risk:* Liquidity means the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not. Withdrawal of any amount of an Investor's interest in a Fund is restricted as described in each Fund's offering documents. Moreover, the Underlying Funds may have withdrawal limitations which are comparable or more restrictive than those of a Fund. Such restrictions may impose additional limitations on the liquidity of an investment in a Fund.
- *Financing Risk:* The Underlying Funds may invest in the equity securities of issuers that utilize borrowing to finance business operations. Such issuers may experience a significant decline in profitability if, as a result of financial stress in the marketplace or other factors, the issuer is unable to service its debt obligations. In turn this may affect the perceived creditworthiness of the issuer and liquidity of its securities, and cause the Underlying Funds to sell such securities at an inopportune time.
- *Derivatives Risk:* There is a risk that loss may result from an Underlying Fund's investment in options, futures, swaps, options on swaps, structured securities and other derivative instruments. These instruments may be leveraged so that small changes may produce disproportionate losses to the Underlying Fund and, therefore, a Fund invested in such Underlying Fund. Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation.

- *Commodities Risk:* Exposure to the commodities markets may subject an Underlying Fund to greater volatility than investments in traditional securities. The value of commodity-linked investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The prices of energy, industrial metals, precious metals, agriculture and livestock sector commodities may fluctuate widely due to factors such as changes in value, supply and demand and governmental regulatory policies.
- *Foreign Risk:* Foreign securities may be subject to risk of loss because of less foreign government regulation, less public information and less economic, political and social stability in these countries. Loss may also result from the imposition of exchange controls, confiscations and other government restrictions, or from problems in registration, settlement or custody. Foreign risk also involves the risk of negative foreign currency rate fluctuations. To the extent that an Underlying Fund also invests in securities of issuers located in emerging markets, these risks will be more pronounced.
- *Short Selling Risk:* Short selling occurs when an Underlying Fund borrows a security from a lender, sells the security to a third party, reacquires the same security and returns it to the lender to close the transaction. The Underlying Fund profits if the price of the borrowed security declines in value from the time the Underlying Fund sells it to the time the Underlying Fund reacquires it, less the cost of borrowing the security. Conversely, if the borrowed security has appreciated in value during this period, the Underlying Fund will suffer a loss. The potential loss on a short sale is unlimited because the price of the borrowed security may rise indefinitely. Short selling also involves the risks of: increased leverage, and its accompanying potential for losses; the potential inability to reacquire a security in a timely manner, or at an acceptable price; and the possibility of the lender terminating the loan at any time, forcing the Underlying Fund to close the transaction under unfavorable circumstances.
- *Leverage Risk:* Borrowing and the use of derivatives result in leverage, which can magnify the effects of changes in the value of an Underlying Fund and make it more volatile. The use of leverage may cause an Underlying Fund to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so.
- *Sector Concentration Risk:* Certain Underlying Funds concentrate their investments in specific sectors that have historically experienced substantial price volatility. This concentration subjects an Underlying Fund to greater risk of loss as a result of adverse economic, business or other developments than if its investments were diversified across different sectors.
- *Small Cap and Micro Cap Risk:* The securities of small capitalization and micro capitalization companies involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements. Securities of such issuers may lack sufficient market liquidity to enable an Underlying Fund to effect sales at an advantageous time or without a substantial drop in price. Both small cap and micro cap companies often have narrower markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of an Underlying Fund's portfolio. Generally, the smaller the company size, the greater these risks.
- *Risk of Fraud:* Our firm employs reasonable diligence in evaluating and monitoring Portfolio Managers and the Underlying Funds that they manage. However, due diligence is not foolproof and may not uncover certain problems associated with a particular Portfolio Manager or Underlying Fund. The Funds may rely upon representations made by Portfolio Managers,

accountants, attorneys, prime brokers, and/or other investment professionals. If any such representations are misleading, incomplete, or false, this may result in the selection of Portfolio Managers or Underlying Funds which might otherwise have been eliminated from consideration had fully accurate and complete information been made available to the Funds. No amount of diligence can eliminate the possibility that one or more Portfolio Managers may engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, misappropriation of assets and unsupportable valuations of portfolio securities.

- *Key Personnel Risk:* The Funds rely exclusively on our firm and/or the General Partner for the management of the Funds. In turn, our firm and the General Partner rely heavily on the services of our respective principals. The loss of their services could have a material adverse effect on the Funds and their operations.
- *Event Driven Investing:* Certain Funds invest in Underlying Funds that employ event driven investing strategies. The ability to profit from these investments may often depend upon factors that are intrinsic to the particular issuer, rather than the market as a whole. Appreciation in the value of such securities may be contingent upon the occurrence of certain events, such as a successful reorganization or merger, not the actual value of the company. If the expected event does not occur, the applicable Fund may incur a loss on the position.
- *Correlation:* The Investment Manager seeks to manage risk and lower volatility by diversifying its investments in multiple Underlying Funds that may utilize different strategies. However, there remains the risk that these Underlying Funds may nevertheless be correlated with each other or to the broader markets due to overlapping investment decisions by Portfolio Managers or to economic circumstances that cause certain securities or sectors to become highly correlated.
- *Changes of Law and Regulations:* Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the performance of the Funds. The regulatory environment for investment companies pursuing alternative investment strategies is evolving and changes in the regulation of such funds may adversely affect the value of investments held by the Funds and the ability of the Funds to pursue their strategies. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. Any future legal or regulatory change could substantially and adversely affect the Funds.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN INVESTING IN THE FUNDS. PROSPECTIVE INVESTORS SHOULD READ A FUND'S ENTIRE CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, PARTICULARLY THE SECTION ENTITLED "RISK FACTORS," BEFORE DETERMINING TO INVEST IN THAT FUND.

Disciplinary Information

We have had no legal or disciplinary events relating to our firm providing services to Clients or to Investors.

Other Financial Industry Activities and Affiliations

P&A Capital Advisors is the general partner of each Fund other than DMOF, and is the investment manager to DMOF, and has delegated management duties over each Fund to us. P&A Capital Advisors is

owned by NFP Corp. (“NFP”), which owns other registered investment advisers, broker-dealers, insurance agencies and other product and service providers (“NFP Affiliates”). To the extent we recommend an NFP Affiliate to a Client or Investor, and such Client or Investor separately purchases products or services from that NFP Affiliate, an affiliate of the General Partner may receive compensation from that recommendation. Such recommendation creates a conflict of interest since it could result in increased compensation to an NFP Affiliate. The General Partner has a relationship with an NFP Affiliate, NFP Advisor Services, LLC (“NFP Advisor Services”), a registered broker-dealer and FINRA member. NFP Advisor Services refers potential investors for investment into the Funds and receives a portion of the management fees for those referrals. Any such referral arrangement will be disclosed and follow the Cash Solicitation Rule (Rule 206(4)-3) under the Advisers Act. This arrangement creates a conflict of interest since NFP Advisor Services receives increased compensation for referral of our services. We identify this conflict to prospective investors by disclosing the recipient and amount of the compensation paid. Under applicable FINRA rules, registered representatives of NFP Advisor Services must reasonably believe that an investment in a P&A Fund is suitable for the prospective investor.

In addition, Peyser & Alexander Management, Inc., an affiliated company owned and run by officers of our firm, provides a variety of business management services to its clients, including, but not limited to, assistance with the preparation of tax returns. Although not required to be, many of the clients of Peyser & Alexander Management, Inc. are Investors in the Funds.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The following is a summary of our Code of Ethics adopted in compliance with Rule 204A-1 of the Advisers Act. We will provide a complete copy of our Code of Ethics upon request.

Standards of Business Conduct

We have adopted a Code of Ethics and implemented policies and procedures to prevent fraudulent, deceptive and manipulative practices and to ensure compliance with the Federal Securities Laws (as defined in our Code of Ethics) and the fiduciary duties owed to our Clients and Investors. Our Access Persons and Supervised Persons, as those terms are defined in our Code, are also expected to behave as fiduciaries with respect to our Clients and Investors. This means that each must render disinterested advice, protect Client and Investor assets (including nonpublic information about a Client or Investor or a Client or Investor account) and act always in the best interest of our Clients and Investors. We must also strive to identify and avoid conflicts of interest, however, such conflicts may arise.

Material, Nonpublic Information

Our Code of Ethics includes compliance procedures with respect to the prevention of insider trading. All information that is contained in our books and records, and all information which an employee may acquire through reviewing the transactions or proposed transactions of our Clients or Portfolio Managers, are confidential and may include material, nonpublic information. Employees are prohibited from (a) buying or selling securities on the basis of material nonpublic information, (b) disclosing material, nonpublic information to inappropriate persons, whether or not for consideration, and from disseminating information other than to appropriate personnel on a “need to know” basis, and (c) assisting anyone transacting business on the basis of material, nonpublic information through a third party.

Conflicts of Interest

Access Persons must provide disinterested advice and any relevant potential personal or business conflicts of interest must be disclosed to the Chief Compliance Officer and, where appropriate, “Chinese Wall” procedures may be utilized to avoid potential conflicts of interest. Access Persons must avoid engaging in any activity which might reflect poorly upon themselves or P&A Capital Advisors, Inc. or which would impair their ability to discharge their duties with respect to the firm or its clients.

Transaction and Holding Reports and Pre-Clearance Requirements

Access Persons must file initial and annual holdings reports with, submit quarterly transaction reports to and pre-clear transactions with respect to initial public offerings and Limited Offerings (as defined in our Code of Ethics) for which they have acquired or intend to acquire an interest with, the Chief Compliance Officer. David Alexander and Tony Peyser may satisfy certain of these requirements by reviewing the filings of one another and providing to the Chief Compliance Officer certificates, each confirming the other’s compliance with such requirements, on a quarterly basis.

Recordkeeping

The Code of Ethics, any written prior approval for a transaction given pursuant to our Code of Ethics, a copy of each report by an Access Person, a record of any violation of the Code of Ethics and any action taken as a result of the violation, any written report hereunder by the Chief Compliance Officer, and lists of all persons required to make and/or review reports under the Code of Ethics will be preserved with our records for the periods and in the manner required by Rule 204A-1 under the Advisers Act. To the extent appropriate and permissible, the Chief Compliance Officer may choose to keep such records electronically.

Gifts and Entertainment

Access Persons must not accept gifts from, or give gifts to, any entity doing or soliciting business with or on behalf of our firm in excess of \$500 without first obtaining the approval of the Chief Compliance Officer.

Outside Activities

Generally, no Access Persons may engage in any outside activities as employee, proprietor, partner, consultant, trustee, officer or director without the prior written consent of the Chief Compliance Officer.

“Pay-to-Play” Policy

We and our Access Persons who are Covered Associates (as defined in our Code of Ethics) comply with Rule 206(4)-5 of the Advisers Act (the Pay-to-Play Rule), which applies to direct or indirect political contributions to state and local government officials, candidates, and political parties. Our firm does not make political contributions and strictly forbids our personnel from making such contributions with the purpose of seeking to influence the recipient to become an Investor in the Funds or direct advisory business to us. It is also our policy to comply with state and local pay-to-play rules, where they have been adopted.

Participation or Interest in Client Transactions and Personal Trading

Certain related persons of our firm have invested in the Funds as limited partners and/or shareholders. These related persons also may, from time to time, invest as a limited partner or shareholder in one or more of the Underlying Funds in which the Funds invest. Neither we nor any related persons will invest in an Underlying Fund if the investment would cause a loss of investment opportunity for any Client.

We do not currently advise Clients or Investors on purchasing marketable securities, such as equities or mutual funds. If, however, we did advise any Client or Investor on purchasing or selling any such

security, neither our firm nor any associated persons may engage in any transaction in that security prior to the Client or Investor purchase having been completed, or until a decision has been made not to purchase or sell the security on behalf of the Client or Investor. This investment policy has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Clients to be completed without any appreciable impact on the markets of the securities. Under certain circumstances exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records.

Our employees may invest for their own accounts in securities which may also be recommended to our Clients, and indirectly to Investors. Our Code of Ethics ensures that this conflict is addressed by employees placing the interests of Clients and Investors before their own interests. We ensure personal trades of our personnel do not impact trades for Clients and that our Clients receive preferential treatment. Personal trades which consist of mutual funds or exchange-traded funds will not normally have an impact on Client trading or impact securities markets.

Brokerage Practices

Our sole clients are the Funds and the separately managed account, which in turn invest in Underlying Funds managed by Portfolio Managers. As such, we do not recommend the use of any broker-dealers to the Funds or the separately managed account. Furthermore, we do not have any relationships with any broker-dealers in which we are compensated for Clients utilizing the services of that broker-dealer. We do not effect transactions in marketable securities for Client accounts. If a Client were to use a broker-dealer for a particular transaction, Investors would be reminded that the Client may seek execution of a transaction recommended by us through broker-dealers other than our affiliate NFP Advisor Services.

The Underlying Funds in which our Clients invest will generally utilize a variety of broker-dealers. The Portfolio Managers of the Underlying Funds allocate transactions to brokers in accordance with their policies and procedures to seek best execution. We have no control over the selection of brokers, nor do we seek to influence Portfolio Managers to direct trading activity to any particular broker.

Review of Accounts

The Portfolio Managers and Underlying Funds we select for our Clients are under regular review by the President, Vice President, Managing Director/Chief Compliance Officer and Director based on performance, risk tolerance and other criteria. We regularly conduct portfolio reviews.

We will distribute to each Investor, either directly or through our administrator, SS&C Technologies Inc., annual audited financial reports prepared by an independent certified public accountant and monthly unaudited statements of the value of an Investor's capital account and performance. Other monthly reports are also available upon request.

Client Referrals and Other Compensation

We may compensate affiliated and unaffiliated third-parties ("Solicitors") who solicit prospective investors they believe would benefit from our investment advisory services. Any such arrangements with

an unaffiliated third-party complies with the Advisers Act, which requires, among other things, that Investors receive this brochure, we execute an agreement with the Solicitor and that Investors receive a compensation disclosure statement detailing the amount we will pay the Solicitor that referred such Investor. As noted above, our affiliate P&A Capital Advisors has such an arrangement with our affiliate NFP Advisor Services as well as with non-affiliates Oppenheimer & Co. Inc. and Summit Equities, Inc. We may enter into similar arrangements with other third party solicitors. For their services under these arrangements, each Solicitor receives a portion of the management fees and/or Incentive Allocation that P&A Capital Advisors receives from the Funds. As a result, these Solicitors have a substantial financial interest in selling interests or shares in the Funds to prospective investors and others.

Custody

Our affiliate, the General Partner, maintains custody of Investors' investments in the Funds and each Fund (i) is audited annually; and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all Investors. We do not hold or maintain custody of any of the Underlying Funds' assets or investments.

Investment Discretion

As noted above, the General Partner has delegated exclusive investment decision-making authority and day-to-day management of the Funds and separately managed accounts to us. We allocate a percentage of assets of each Fund to various Underlying Funds. We monitor the performance of each Underlying Fund and may adjust the amount of assets allocated to an Underlying Fund. We may add or replace Underlying Funds at any time, in our sole discretion, without notice to or the consent of the Investors.

Voting Client Securities

Policy

As we do not currently advise Clients or Investors on purchasing marketable securities, neither we nor the General Partner anticipates having to vote proxies. To the extent we may have discretion to vote the proxies of the Clients, we will vote any such proxies in the best interests of Clients and Investors and in accordance with the procedures set forth in our proxy voting policy and procedures. It is expected that the proxies that we receive will deal with matters related to the operative terms and business details of the Portfolio Managers or Underlying Funds. Portfolio Managers may request our consent to modify the constituent documents of an Underlying Fund or to take other actions.

Procedure

All proxies or consent requests that we receive to vote on behalf of the Clients are provided to the Chief Compliance Officer. The Chief Compliance Officer will follow the following procedures (subject to limited exceptions in our sole discretion):

- (a) A written record of each proxy received by us to be voted will be kept in our files;
- (b) The Chief Compliance Officer may consult with other officers, directors or employees to discuss a proxy voting issue;

- (c) Prior to voting any proxies, the Chief Compliance Officer will determine if there are any conflicts of interest related to the Underlying Fund proxy in question. If a conflict is identified, the Chief Compliance Officer will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not;
- (d) If no material conflict is identified pursuant to these procedures, the Chief Compliance Officer will make a decision on how to vote the proxy in question in accordance with our voting guidelines set forth in our proxy voting policies and procedures; and
- (e) Although not presently intended to be used on a regular basis, we are empowered to retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

Voting Guidelines

In the absence of specific voting guidelines mandated by a particular Client or Investor, we will vote proxies in the best interests of each Client and Investor (which theoretically could result in different voting results for the same issuer/Underlying Fund). We are of the view that voting proxies in accordance with the following general guidelines is in the best interests of our Clients and Investors:

- (a) We will generally vote in favor of normal corporate housekeeping proposals.
- (b) For proxies addressing any other issues (which may include proposals related to fees paid to Portfolio Managers of the Funds, redemption rights provided by Underlying Funds, investment objective modifications, etc.), we shall determine (which may be based upon the advice of external lawyers or accountants) whether a proposal is in the best interest of affected Clients (and indirectly, Investors). In doing so, we will evaluate a number of factors which may include (but are not limited to): (i) the impact on the performance of the Underlying Fund in question; (ii) a comparison of the proposed changes to terms which are customary in the industry; and (iii) consideration of the risk that management of the Portfolio Manager will require the applicable Client to withdraw if the required change is not approved.

Conflicts of Interest

Before voting any proxy, the Chief Compliance Officer will evaluate whether there is a conflict of interest between our firm on the one hand, and Clients and Investors on the other hand. This examination will include (but will not be limited to) an evaluation of whether we have any relationship with an Underlying Fund (or such Underlying Fund's Portfolio Manager) to which the proxy relates other than an investment in such Underlying Fund by a Client.

If a conflict is identified and deemed "material" by the Chief Compliance Officer, we will determine whether voting in accordance with the voting guidelines is in the best interests of affected Clients or Investors (which may include utilizing an independent third party to vote such proxies).

With respect to material conflicts, we will determine whether it is appropriate to disclose the conflict to affected Clients (and indirectly, Investors) and give such Clients (and indirectly, Investors) the opportunity to vote the proxies in question themselves.

Contact Information

We will provide a complete copy of (a) our proxy voting policies and procedures and (b) how we have voted proxies that are relevant to the affected Client upon request to Clients and Investors. To request such documents, please contact us at (212) 764-6455 or at funds@peyalex.com.

Financial Information

We do not have any financial condition likely to impair us from meeting our contractual commitments to Clients or Investors.

Miscellaneous

Compliance Policies and Procedures

We maintain written compliance policies and procedures as required by the Advisers Act.

Anti-Money Laundering Program

We maintain an anti-money laundering program in accordance with applicable regulations.

Business Continuity Plan

We maintain a business continuity plan in the event there is an interruption to our office space, communications, or services.