

Brochure
(Part 2A for Form ADV)

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This brochure provides information about the qualifications and business practices of our firm, P&A Capital Advisors, 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.

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Material Changes

This section of our brochure summarizes material changes that have occurred at our firm since 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.

No material changes have occurred at our firm since the last annual update of our brochure.

Advisory Business

This brochure describes the investment advisory services we provide.

We are the general partner of six limited partnerships and the investment manager of one offshore fund (each a “Fund,” and together, the “Funds”). Each Fund operates as a hedge fund-of-funds, meaning it invests assets with a diverse group of underlying managers and in collective investment vehicles such as other hedge funds. The Funds do not make direct purchases of marketable securities; however most of the underlying managers and collective investment vehicles do directly invest in marketable securities. Most collective investment vehicles are organized as domestic limited partnerships. However, we may also invest in limited liability companies and offshore funds and have an unaffiliated manager manage assets through a separately managed account. We allocate a percentage of assets of each Fund to various managers and collective investment vehicles and determine the managers and investment vehicles for each Fund, as well as how much to invest with each manager and investment vehicle. We monitor the performance of each underlying manager and may adjust the amount of assets we allocate to any underlying manager or investment vehicle. We may add or replace underlying managers and investment vehicles at any time, in our sole discretion, without notice to or the consent of investors who invest in the Funds (“Investors”). We have delegated exclusive investment decision-making authority and day-to-day management of the Funds and separately managed accounts to P&A Fund Management, Inc. (“Investment Manager”), an affiliated firm which is owned and managed by officers of our firm.

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, the Investment Manager advises two separately managed accounts, AGL P&A Select Multi Manager Separately Managed Division (“AGL”) and Marsh Capital Investors, LLC (“MCI”). AGL invests with similar managers and investment vehicles along with the other Funds and also invests in four of the Funds, DMF, MSF II, SSF and BAL. The Investment Manager advises AGL on a discretionary basis. MCI invests in hedge funds, mutual funds, funds of hedge funds, and fixed income securities. The Investment Manager advise MCI on a non-discretionary basis. The Investment Manager advises these separately managed accounts and the Funds as our advisory clients (“Clients”).

We have been a wholly owned subsidiary of National Financial Partners Corp., a publicly traded company, since 2000.

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.

As of January 1, 2013, we manage approximately \$307 million in assets for 9 Clients. We manage approximately \$293 million on a discretionary basis, and approximately \$15 million on a non-discretionary basis.

Fees and Compensation

GENERAL INFORMATION ON OUR FEES

As general partner of the Funds other than DMOF, and as investment manager to DMOF, we receive management fees and in the case of certain Funds, an incentive allocation of net profits in each applicable Fund. We also receive fees from the separately managed accounts. We share all or a portion of this compensation with our affiliate, the Investment Manager, for the investment advisory services that they provide to the Clients.

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%
MCI	Monthly flat fee not based on net asset value of MCI's capital account.

OTHER INFORMATION ON FEES AND EXPENSES OF FUNDS

We may organize 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 limited partner or shareholder without any obligation to provide notice to or obtain the consent of any other limited partner or shareholder of a Fund.

The Funds' underlying 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 20% incentive

fee. Even if a Fund may not be profitable as a whole, it still may have to pay incentive fees to an underlying 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 initial organization and 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, 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 underlying managers. Fees of the underlying managers can include their respective management and performance fees, interest expense, brokerage commissions, custodial fees, taxes, legal and accounting expenses, and other similar expenses.

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.

As we advise MCI on a non-discretionary basis, we charge our MCI separately managed account a monthly flat fee not based on the net asset value of MCI's capital account.

Performance-Based Fees and Side-By-Side Management

We receive performance based fees based on the share of capital gains or 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 accounts. Performance-based fees are 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 fees are subject to a ten percent (10%) priority return to limited partners for Investors holding Class A interests of MSF and MSF II and are subject to a high water mark. The incentive allocation 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 compensation only applies to returns above the highest peak in value of investment returns for the investment.

As noted above, the Funds' underlying managers also charge incentive fees, which are generally around 20%.

The payment of incentive fees creates a conflict of interest since it may cause the Investment Manager and the underlying managers of the Funds to make investments that are more speculative than might be the case in the absence of such fee arrangements.

In addition, the Investment Manager serves as the investment manager of several different Funds and separately managed accounts as set forth above and may serve as investment manager of other funds organized in the future. Although the investment strategy of these Funds and separately managed accounts differ from each other, there may be significant overlap in their investments in underlying managers and the Investment Manager may face a conflict in determining which Fund or separately managed account will use a particular underlying manager. This conflict will be especially acute where an underlying manager has limited capacity, for regulatory or other reasons, to accept additional Investors. Because the Funds and separately managed accounts have different fee structures, a conflict of interest exists where our firm and/or the Investment Manager must allocate any limited investment opportunities among the Funds and separately managed accounts, and may have an incentive to allocate to a Fund or separately managed account with a fee structure more favorable to our firm and/or the Investment Manager than to another Fund or separately managed account. The Investment Manager will generally address these conflicts by allocating investment opportunities among those Funds and separately managed accounts 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 Fund's or separately managed account's objectives and the liquidity requirements of the Fund or separately managed account. 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 accounts. Interests or shares in the Funds are appropriate only for Investors who are "accredited investors," 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 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 underlying managers and collective investment vehicles in which the Funds invest. We identify underlying managers through referrals, word of mouth, review of industry publications, conferences and similar sources. We conduct detailed due diligence on each underlying manager, including an in-depth review of a manager's performance results, infrastructure, research capabilities, money under management, investment strategy, operations and similar factors. The underlying managers in which 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 risk Clients (and indirectly, Investors) could face are:

- *Investing with the underlying managers* The investments of the Funds are concentrated in the underlying managers, and a Fund's investment performance is directly related to the investment performance of the underlying managers it holds. The ability of a Fund to meet its investment objective is directly related to the ability of the underlying managers to meet their objectives as well as the allocation among those underlying managers by the Investment Manager. Because the Funds invest in underlying managers, Investors will be affected by the investment policies and practices of the underlying managers in direct proportion to the amount of assets the Funds allocate to those underlying managers.
- *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, bond, or mutual fund 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.
- *Business Risk:* Risks associated with a particular industry or a specific company may impact the value of investments. For example, oil-drilling companies have more business risk than electric companies since they depend on finding oil and then refining it efficiently before they may generate a profit. An electric company generates steady income from customers who buy electricity no matter what the economic environment is like.

- *Liquidity Risk:* Liquidity means the ability to readily convert an investment into cash. Assets with a lot of interest from purchasers are generally more liquid. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financing Risk:* A company with excessive borrowing to finance a business's operations increases the risk of profitability if it is unable to meet loan obligations during periods of financial stress.
- *Derivatives Risk:* The risk that loss may result from the underlying managers' investments 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 managers and, therefore, the Funds. 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 manager 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 manager 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 manager 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 manager profits if the price of the borrowed security declines in value from the time the underlying manager sells it to the time the underlying manager reacquires it, less the cost of borrowing the security. Conversely, if the borrowed security has appreciated in value during this period, the underlying manager 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 manager to close the transaction under unfavorable circumstances; the additional costs that may be incurred.
- *Leverage Risk:* Borrowing and the use of derivatives result in leverage, which can magnify the effects of changes in the value of an underlying manager and make it more volatile. The use of leverage may cause an underlying manager 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 managers concentrate their investments in specific sectors that have historically experienced substantial price volatility. This concentration subjects an underlying manager 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 manager 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 manager's portfolio. Generally, the smaller the company size, the greater these risks.
- *Risk of Fraud:* The Investment Manager employs reasonable diligence in evaluating and monitoring underlying managers. However, due diligence is not foolproof and may not uncover problems associated with a particular underlying manager. The Funds may rely upon representations made by hedge fund 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 hedge 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 underlying 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 Investment Manager for the management of the Funds and our firm and the Investment Manager rely heavily on the services of their principals. The loss of their services could have a material adverse effect on the Funds and their operations.
- *Event Driven Investing:* Certain Funds utilize managers and hedge funds that employ event driven investing strategies or make other high risk investments. 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.
- *Market Correlation:* The Funds generally seek to generate attractive risk-adjusted returns with less volatility than, and minimal correlation to, the equity markets. However, the performance of the asset classes in which the Funds invest through the underlying managers may be more highly correlated to the markets than anticipated because different underlying managers may invest in the same securities or sectors.
- *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 its trading 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 PPM, 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

We are owned by National Financial Partners Corp. (“NFP”), which owns other 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, our affiliate may receive compensation from that recommendation. Such recommendation creates a conflict of interest since it could result in increased compensation to an NFP Affiliate. We have a relationship with an NFP Affiliate, NFP Securities, Inc. (“NFP Securities”), a registered broker-dealer and FINRA member. NFP Securities 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 interests since our affiliate receives increased compensation for referral of our services.

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

Ethics in Business Transactions

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 underlying managers, is confidential and may include material, nonpublic information. Employees may not utilize any such confidential information for the purpose of furthering any private interest or as a means of realizing any personal gain, directly or indirectly. Employees may not divulge to any third party not affiliated with us (other than third parties providing services to us who need such information to effect, administer or enforce any transaction of our Clients) any such confidential information. Employees should not divulge information to their co-workers, except on a need to know basis.

Conflicts of Interest

Employees must disclose to us any interests that would create real or apparent conflicts of interest within or outside the firm. Employees should always maintain an awareness of potential conflict of interest problems, and the firm actively encourages disclosure by employees so that prompt corrective action may be taken in the event any potential situation arises. In the event a conflict of interest exists or may exist, procedures implementing internal information barriers may be utilized to avoid potential conflicts of interest.

Transaction Reporting Requirements

All our Access Persons must file initial and annual holdings reports, submit quarterly transaction reports 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 any "Beneficial Interest."

Initial and Annual Holdings Reports

Each Access Person must disclose all "reportable securities" in the Initial and Annual Holdings Report or any substitute acceptable to the Chief Compliance Officer. Each Access Person must submit such form to the Chief Compliance Officer no later than 10 days after becoming an Access Person, and annually thereafter on a date selected by the Chief Compliance Officer. Each such report must be current as of a date no more than 45 days before the report is submitted.

Quarterly Transaction Reports

Within 30 days after the end of each calendar quarter, each Access Person must submit a report to the Chief Compliance Officer covering all transactions in "reportable securities."

Duplicate Confirmation Statements

Each Access Person, with respect to each brokerage account in which such Access Person has any direct or indirect beneficial interest, may arrange to have his/her broker mail all brokerage statements, confirmations, and other periodic reports directly to the Chief Compliance Officer at the same time they are mailed or furnished to such Access Person.

Pre-Clearance – Initial Public Offerings and Limited Offerings

Access Persons must obtain the written approval of the Chief Compliance Officer prior to investing in shares of initial public offerings and Limited Offerings. Pre-approval of Limited Offerings includes an investment in any of the privately placed Funds that we advise.

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 shall be preserved with our records for the periods and in the manner required by Rule 204A-1 under the Advisers Act.

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. In addition, Access Persons may not accept or give gifts with respect of any FINRA members in excess of the limits contained in FINRA Rule 3220(a).

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 forbid 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 managers or investment vehicles in which the Funds invest. Neither we nor any related persons will invest in an underlying investment vehicle 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 separately managed accounts, which in turn invest with other managers or in collective investment vehicles. As such, we do not recommend the use of any broker-dealers to the Funds or separately managed accounts. 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 does choose to use a broker-dealer for a particular transaction, Clients are reminded that they may seek execution of a transaction recommended by us through broker-dealers other than our affiliate NFP Securities.

The underlying managers and collective investment vehicles in which our Clients invest will generally utilize a variety of broker-dealers. Those underlying managers and investment vehicles 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 managers or investment vehicles to direct trading activity to any particular broker.

Review of Accounts

The underlying managers and collective investment vehicles the Investment Manager selects for our Clients are under regular review based on performance, risk tolerance and other criteria. Portfolio reviews are conducted regularly by the Investment Manager.

We will distribute to each limited partner and shareholder annual audited financial reports prepared by an independent certified public accountant, monthly information regarding the performance of the applicable Fund, and a monthly unaudited statement of the value of a limited partner's or shareholder's capital account. 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, we have such an arrangement with our affiliate NFP Securities as well as with non-affiliates NorthStar Financial Partners, Inc., 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 allocations we receive 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

As the general partner of the Funds, we do not hold or maintain assets in which the Funds' underlying managers or investment vehicles invest. However, we do maintain 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 limited partners and shareholders.

Investment Discretion

As noted above, we have delegated exclusive investment decision-making authority and day-to-day management of the Funds and separately managed accounts to the Investment Manager. The Investment Manager allocates a percentage of assets of each Fund to various underlying managers and investment vehicles. The Investment Manager monitors the performance of each underlying manager and may adjust the amount of assets allocated to an underlying manager or investment vehicle. The Investment Manager may add or replace underlying managers and investment vehicles at any time, in their sole discretion, without notice to or the consent of the Investors.

Voting Client Securities

Policy

As the Investment Manager does not currently advise Clients or Investors on purchasing marketable securities, neither we nor the Investment Manager anticipates having to vote securities. To the extent we may have discretion to vote the proxies of the Clients, the Investment Manager 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 proxies that we receive will deal with matters related to the operative terms and business details of the underlying managers.

Procedure

All proxies 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 will determine which of the other Funds holds an interest or shares in the collective investment vehicle to which the proxy relates;
- (c) The Chief Compliance Officer may consult with other officers, directors or employees to discuss a proxy voting issue;
- (d) Prior to voting any proxies, the Chief Compliance Officer will determine if there are any conflicts of interest related to the collective investment vehicle 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;
- (e) 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
- (f) 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).

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 the underlying collective investment vehicle (or such underlying collective investment vehicle's investment adviser or affiliate) to which the proxy relates other than an investment in such underlying manager 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.

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/collective investment vehicle). 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 underlying managers of the Funds, redemption rights provided by underlying managers, 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 performance of the underlying manager 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 underlying manager will require the applicable Fund and/or separately managed account to withdraw if the required change is not approved.

Recordkeeping Requirements

The Chief Compliance Officer will be responsible for maintaining files relating to our proxy voting procedures. Records of the following will be included in the files:

- (a) Copies of these proxy voting policies and procedures, and any amendments;
- (b) A copy of each proxy statement (or equivalent document) that we receive, provided, however that we may rely on obtaining a copy of proxy statements from the SEC's EDGAR system for those proxy statements that are publicly available;
- (c) A record of each vote that we cast;
- (d) A copy of any document that we create that was material to making a decision how to vote the proxies, or memorializes that decision (if any); and
- (e) A copy of each written request for information on how we voted such Client's proxies and a copy of any written response to any request for information on how we voted proxies on behalf of Clients.

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.