



## **Form ADV Part 2 Brochure**

### **ITEM 1 – COVER PAGE**

This brochure provides information about the qualifications and business practices of Silvercrest Asset Management Group LLC (“Silvercrest”). If you have any questions about the contents of this brochure, please contact us at 212-649-0600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Silvercrest is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We are a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any level of skill or training. This document is not an offer to sell securities or provide any investment services.

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## ITEM 2 – MATERIAL CHANGES

### Material Changes

This Form ADV Part 2 Brochure contains changes from the prior filing of March 2015:

Amending *Item 4 – Advisory Business* to include updated details regarding the firm’s assets under management.

Amending *Items 5, 6, and 8 – Fees and Compensation, Performance-Based Fees and Side-by-Side Management, and Methods of Analysis, Investment Strategies and Risk of Loss*, to:

- Include reference to the firm’s sub-advisory role with respect to the Bridge Builder Small/Mid Cap Growth Fund and describe the fees and compensation associated therewith;
- Remove references to the Silvercrest Global Opportunities Fund, L.P., and Silvercrest Small Cap Fund, L.P., which have been redeemed and dissolved; and
- Remove references to the Silvercrest Select Growth Equity Fund, L.P., which is no longer managed by Silvercrest;
- Amending *Items 8 and 10 - Methods of Analysis, Investment Strategies and Risk of Loss and Other Financial Industry Activities and Affiliations*, to: Remove reference to fee discounts given by third party managers and modify the descriptive text for clarity. Of the expanded universe of third party managers recommended by Silvercrest, some provide discounts, while others do not.

Amend *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss* to add reference to additional portfolio strategies of the firm and to discuss the risk of loss of data as a result of a breach of the firm’s computer network.

Though those are the only changes since the last version, if you received that version, we recommend that you read this document in its entirety.

If you would like another copy of this brochure, please download it from the SEC’s website as indicated above or send an electronic mail request to [adv@silvercrestgroup.com](mailto:adv@silvercrestgroup.com).

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## **ITEM 4 – ADVISORY BUSINESS**

### **The Firm**

Silvercrest provides asset management and family office services to families and select institutional investors.

Silvercrest currently advises on \$18.1 billion for a clientele comprised primarily of families, as well as endowments, foundations and other institutional investors. Silvercrest's family office, advisory and investment capabilities are available to clients interested in investing substantial assets. Of the \$18.1 billion, Silvercrest has been granted discretionary authority over \$12.1 billion. In accordance with its fiduciary duty as to some of those \$12.1 billion of assets, Silvercrest may recommend to clients that they invest in a private fund managed on a discretionary basis by a third party. As to the remaining \$6 billion of the assets, Silvercrest provides non-discretionary advice, reporting services or has another role in managing them.

The afore-mentioned \$18.1 billion does not include approximately \$13.4 billion of non-discretionary assets of a client that is a public treasurer's office for which we are advisor. Silvercrest provides advisory services unique to this client with a fee cap of \$825 thousand per annum. This fee arrangement is not indicative of our average fee rate.

To the extent Clients' assets are held in separately managed accounts, they are generally managed on a fully discretionary basis where Silvercrest makes all decisions as to which securities are bought or sold and/or the total amount bought or sold. Silvercrest tailors its advisory services to the individual needs of its clients. Silvercrest's portfolio managers apply specific objectives and guidelines for each client portfolio which they are responsible for managing. Clients may impose restrictions on investing in certain types of securities. If a client wishes to limit the portfolio manager's discretion in any way, the limitation will be contained in the client's investment objectives and guidelines.

Silvercrest's investment capabilities include equity management, fixed-income management, outsourced investments and alternative investments. Silvercrest acts as advisor to certain of the alternative investment products, which includes a private fund and funds of funds. Silvercrest also serves as sub-advisor to one or more funds registered under the Investment Company Act of 1940, as amended (the "ICA").

Silvercrest also provides institutional investors with independent, investment-driven risk analytics, due diligence and custom portfolio advisory support. Risk advisory services are based on both quantitative and qualitative analyses, including Value at Risk ("VaR"), stress testing, Monte Carlo simulation and most common risk metrics. Due diligence services comprise best practices for review of operational and investment diligence.

Silvercrest was established in 2001. It is a wholly-owned subsidiary of Silvercrest L.P. The general partner of Silvercrest L.P. is Silvercrest Asset Management Group Inc., which is a publicly-traded C corporation (NASDAQ symbol SAMG). Class A Common Shares of SAMG

are owned by the investing public, Class B Common Shares are owned by employees of Silvercrest.

## **ITEM 5 - FEES AND COMPENSATION**

### **I. Separately Managed Accounts**

A. Silvercrest's Basic Annual Fee Schedule for management of clients' assets in separately managed accounts is as follows:

- For managed equity or balanced portfolios:  
  
1% on the first \$10 million  
.60% on the balance
- For managed fixed income only portfolios:  
  
.40% on the first \$10 million  
.30% on the balance
- For managed cash only portfolios:  
  
.20%
- For the Silvercrest Municipal Value strategy:  
  
.65%

Most clients' fees are charged quarterly in advance although a number of clients pay in arrears. Fees are negotiable for larger amounts and under special circumstances. Silvercrest generally prefers that a client invest a minimum of \$5 million to open a separately managed account. However, accounts of less than these amounts may be accepted if they are part of a larger relationship, related to one of the employees of the firm, or under other circumstances. Accounts may be terminated at any time by either party in accordance with the notice provisions set forth in the client's advisory contract.

Clients that terminate their relationship with Silvercrest will be refunded any pre-paid unearned fees prorated from the date of termination. At the end of each quarter, clients who paid in advance for that quarter will (i) receive a pro-rata credit if they made a net withdrawal of assets that exceeded 10% of the total value of their account as of the close of the prior quarter, or (ii) pay an additional pro-rata amount if they made a net contribution of assets that exceeded 10% of the value of their account as of the close of the prior quarter.

### **B. Other Fees and Expenses Associated with Separately Managed Accounts**

Each client's arrangement with its respective custodian is made between that client and his or her custodian. Clients will pay brokerage commissions to the broker-dealers that execute transactions for client accounts. Silvercrest is not and is not affiliated with a broker-dealer registered with the SEC or a member of the Financial Industry Regulatory Authority. Further

discussion of charges associated with broker-dealers is included in *Item 12 - Brokerage Practices*. To the extent client assets are invested in money market mutual funds, exchange-traded funds, or other registered investment companies for which Silvercrest is not the sub-advisor, the client will bear its *pro rata* share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to Silvercrest.

## **II. Other Services**

Silvercrest provides clients with a number of services not involving the management of securities. These include family office services such as asset allocation, bill paying, budgeting, record keeping, maintenance of domestic payroll, tax planning and tax return preparation and payments, financial planning, oversight of alternative investments, and other similar services. The fees for these services are quoted in advance depending upon a client's circumstances and the actual services requested.

## **III. Third-Party Managers**

In allocating its clients' assets among the firm's portfolio strategies and other investments, Silvercrest understands its fiduciary duty to act in the best interests of clients, investing assets in a manner that is suitable for each client based on the information given to it. Where it deems appropriate, Silvercrest may recommend to clients that their assets be managed by third party, unaffiliated money managers. These include direct investments in hedge funds and discretionary management of separate client accounts. Any such investments are made on a non-discretionary basis.

The fees paid by clients in these instances depend on the third-party manager, but generally fall into one of two structures:

- Managers of private partnerships (funds) or separately managed accounts with which Silvercrest has a written agreement by which the fund manager agrees to charge its standard management fee (as well as any incentive fee), but reimburse Silvercrest for its fee for those assets, since Silvercrest waives its fee as to the assets invested in the fund by the client.
- Managers of private partnerships (funds), separately managed accounts, or registered investment companies (mutual funds) that may or may not charge the client a reduced management fee (as well as any incentive fee). In these cases, the client will pay the fund manager's fee and any incentive fee, and may also pay Silvercrest's fee for management of the same assets.

The applicable fee structure is typically disclosed to the client in writing by Silvercrest at the outset of the investment or the relationship.

## **IV. Fund Advisory Services**

### **A. Fees Detailed by Fund**

Silvercrest serves as advisor to certain alternative investment products, which include private funds and funds of funds (the "Funds"). It also serves as sub-advisor to the ASTON/Silvercrest Small Cap Funds (ASCTX and ACRTX), and the Bridge Builder Small/Mid Cap Growth Fund (BBGSX), mutual funds registered under the ICA. Information regarding the fees, charges and expenses for each of the Funds are set forth below. Following the discussion of fees by Fund is a discussion of the various fees, expenses and other charges that are paid by all of the Funds.

1. Silvercrest Hedged Equity Fund, L.P. and Silvercrest Hedged Equity Fund (International), Ltd. (together, "SHEF")

In connection with its role as advisor to SHEF, Silvercrest is entitled to compensation in the form of a management fee (the "SHEF Management Fee"). The SHEF Management Fee will be payable by SHEF, solely out of its assets, monthly, in advance, at an annual rate equal to 1.50% of SHEF's Net Worth on the first business day of the month.

The "Net Worth" of SHEF is equal to the estimated value of its total assets minus the estimated sum of its total liabilities (including reserves for taxes), as of the pertinent valuation date, based on the net asset values reported to it by the underlying funds in which SHEF invests. The SHEF Management Fee is expected to be waived with respect to subscriptions by certain employees and/or affiliates of Silvercrest.

2. Silvercrest Emerging Markets Fund, L.P. and Silvercrest Emerging Markets Fund (International), Ltd. (together, "SEMF")

Silvercrest is entitled to compensation in the form of a management fee (the "SEMF Management Fee"). A discussion of the SEMF Management Fee is set forth below.

The Management Fee will be payable by SEMF, solely out of its assets, monthly, in advance, at an annual rate equal to 1.50% of the Net Assets of SEMF on the first business day of the month. "Net Assets" for purposes of SEMF is defined as the total assets of SEMF less total liabilities of SEMF. The SEMF Management Fee is expected to be waived with respect to subscriptions by certain employees and/or affiliates of Silvercrest. Further, Silvercrest may, in its sole discretion, waive or reduce the SEMF Management Fee otherwise due with respect to any unit holder's investment.

SEMF pays Silvercrest (or a person or entity designated by SEMF) an annual Administration fee (the "SEMF Administration Fee") in an amount equal to either (i) 0.010% of the net assets of SEMF or (ii) \$42,000, whichever is the greater. The SEMF Administration Fee is paid promptly at the beginning of each calendar quarter and is calculated based on the net assets of SEMF as of the beginning of such quarter. If additional contributions are made to SEMF during the quarter, the SEMF Administration Fee will be prorated and charged at the time of such contribution. The SEMF Administration Fee is deducted in determining the net profit or net loss of SEMF. In the event SEMF is not in existence for the entire calendar quarter, the SEMF Administration Fee for such quarter shall be prorated. Silvercrest, in its sole discretion, may waive or reduce the SEMF Administration Fee to be paid by employees, affiliates or relatives of Silvercrest or trusts for the benefit of such persons.



3. Silvercrest Global Opportunities Fund (International), Ltd., and SGOFI, L.P.

(a) Background and Structure

Silvercrest Global Opportunities Fund (International), Ltd., a Cayman Islands exempted company (the "Offshore Fund"), has been organized on terms substantially similar to those of SGOF. The Offshore Fund will invest all or substantially all of its assets in SGOFI, L.P., a Cayman Islands exempted limited partnership formed on May 27, 2008 (the "Master Fund").

The Offshore Fund offers participating non-voting (except as to special events (described to investors separately) class A shares of par value \$0.01 per share (the "Class A Shares"; together with the Class S Shares (as defined below) and all other Classes (as defined below) of participating non-voting shares of the Offshore Fund that may be issued in the future, the "Shares") A holder of Class A Shares is referred to as a "Class A Shareholder"; and together with the holders of all other Classes of Shares of the Company that may be issued in the future, as the "Shareholders").

If the Master Fund allocates a portion of the Master Fund Sub-Capital Accounts to a Master Fund DI Account (as defined below), a pro rata portion of each series of Class A Shares (based on the net asset value of each such series) corresponding to such Master Fund Sub-Capital Accounts will be exchanged by way of redemption and issuance of a series of class S shares (the "Class S Shares") by the Offshore Fund. Such exchange will be retroactive to the date as of which the applicable Master Fund DI Account is deemed to be created. Such series of Class S Shares will have an initial aggregate net asset value equal to the value of the Offshore Fund's interest in the Master Fund DI Account (which is determined based on the value of the related DI Account, as reported by the applicable Underlying Fund manager). The Offshore Fund will generally issue a separate series of Class S Shares in connection with each Master Fund DI Account. Class A Shares exchanged for a series of Class S Shares will be treated as if redeemed as of the date of exchange. Class S Shares are not redeemable by a Shareholder. Class S Shares will be issued only to those persons and entities that are (or were) Class A Shareholders at the time the Master Fund DI Account is deemed to be created.

(b) Management Fees Related to the Offshore Fund and Master Fund

Silvercrest, either itself or through the General Partner will receive a monthly management fee, and may receive a performance allocation, when applicable. A discussion of the performance allocation is set forth in *Item 6 - Performance-Based Fees and Side-By-Side Management*. A discussion of the management fee is set forth below.

The Master Fund will establish and maintain a separate capital account for the Offshore Fund. In addition, the Master Fund will establish and maintain a separate sub-capital account (each, a "Master Fund Sub-Capital Account") corresponding to each series of Shares of the Offshore Fund. The Master Fund pays to Silvercrest a monthly management fee, calculated and payable in advance on the first business day of each month, equal to one-twelfth of 1.25% of the net worth of each Master Fund Sub-Capital Account attributable to the Class A Shares as of the first business day of such month (including the value of any Master Fund DI Account(s) (as defined below) attributable to the Class A Shares) (the "SGOFI Class A Management Fee"). The SGOFI Class A Management Fee shall be payable in U.S. Dollars, normally within ten (10) days after

the beginning of each month. The SGOFI Class A Management Fee will be calculated after taking into account reductions of the relevant Master Fund Sub-Capital Account(s) as a result of redemptions of corresponding Class A Shares, in each case as of the end of the prior month, and increases in the relevant Master Fund Sub-Capital Account(s) as a result of subscriptions for Class A Shares, in each case as of the beginning of such month. In addition, the SGOFI Class A Management Fee will be prorated for such reductions and/or increases during any month and for any month during which Silvercrest does not serve as the investment manager of the Master Fund for the entire month. Accordingly, in the event of any such intra-month reduction or where Silvercrest does not serve as the investment manager of the Master Fund for the entire month, Silvercrest will refund a pro rata portion of the SGOFI Class A Management Fee for such month to the Master Fund for the ultimate benefit of the relevant Class A Shareholder(s), in each case without interest. For purposes of determining the SGOFI Class A Management Fee, each DI Account (as defined below) will be valued at its last reported value.

**Designated investments and accounts.** Silvercrest will invest the assets of the Master Fund either by becoming a participant in a pooled investment vehicle or by placing assets of the Offshore Fund in a managed account (each an "Underlying Fund"). Underlying Funds may invest a portion of their assets in securities or other financial instruments which the applicable Underlying Fund manager determines are difficult to value and not readily marketable, or should be held until the resolution of a special event or circumstance (each, a "Designated Investment"). The Underlying Fund manager may place such Designated Investments in a separate special account (each, a "DI Account"). In addition, that manager may make an investment that it determines is a follow-up investment to a Designated Investment (each, a "Follow-Up Investment"), and may place such Follow-Up Investment in the same DI Account as the Designated Investment to which it relates. In general, the Master Fund will not be able to redeem capital placed in a DI Account from an Underlying Fund until the relevant Designated Investment and Follow-Up Investments (if any) become liquid or are sold or otherwise disposed of by such Underlying Fund.

If the manager of an Underlying Fund notifies the Master Fund that it has placed a Designated Investment in a DI Account (the "Designated Investment Notice"), then the Master Fund may, in the discretion of the General Partner in consultation with Silvercrest, place its interest in such DI Account in a separate special account (each, a "Master Fund DI Account"). A "Realization Event" occurs with respect to a Master Fund DI Account when the Master Fund is able to redeem its interest in the related DI Account from the applicable Underlying Fund or the General Partner in consultation with the Sub-Advisor otherwise determines that the Master Fund's interest in the DI Account should no longer be held in a Master Fund DI Account. This is generally expected to occur when: (i) the Designated Investment and Follow-Up Investments (if any) become liquid (including, without limitation, when there is a public offering of the securities constituting the Designated Investment and Follow-Up Investments (if any) that provides a reasonable value); (ii) the Designated Investment and Follow-Up Investments (if any) are liquidated, sold or otherwise disposed of by the Underlying Fund; or (iii) circumstances otherwise exist that, in the judgment of the applicable Designated Manager, conclusively establish a value for the Designated Investment and Follow-Up Investments (if any) other than fair value or cost (including, without limitation, when additional securities substantially similar to the Designated Investment and Follow-Up Investments (if any) have been issued by the issuer of such Designated Investment and Follow-Up Investments (if any)).

For the avoidance of doubt, any portion of the SGOFI Class A Management Fee ultimately attributable to a series of Class S Shares will be debited against the net worth of each Master

Fund Sub-Capital Account that is in turn attributable to the series of Class A Shares which had been exchanged for such series of Class S Shares.

If, after giving effect to a redemption at the Offshore Fund level, a Class A Shareholder would continue to own Class S Shares of one or more series but no longer hold the Class A Shares which had been exchanged for such series of Class S Shares, the Board of Directors of the Offshore Fund (the "Board"), in its sole and absolute discretion, may reserve or hold back from the redemption proceeds payable with respect to such redemption, such amount as Silvercrest deems sufficient, in its sole and absolute discretion, to cover the SGOFI Class A Management Fee expected to be payable over the life of each such series of Class S Shares and the related Master Fund DI Account (with respect to each relevant Class A Shareholder, the "SGOFI Management Fee Reserve"). The Offshore Fund will then pay the SGOFI Management Fee Reserve to the Master Fund. The SGOFI Management Fee Reserve will earn interest at a rate equal to the average yield on the Master Fund's cash and cash equivalents for the period from the applicable Redemption Date until the date the SGOFI Management Fee Reserve is used. Generally, any unused portion of the SGOFI Management Fee Reserve will be paid to the Offshore Fund, with interest, for the ultimate benefit of the relevant Class A Shareholder upon a Realization Event with respect to the relevant Master Fund DI Account(s). To the extent the SGOFI Management Fee Reserve and any interest thereon does not cover the SGOFI Class A Management Fee that is due in any year during the life of a series of Class S Shares and the related Master Fund DI Account, the Master Fund will so notify the Offshore Fund and the Offshore Fund will in turn send a periodic statement to the relevant Class A Shareholder providing for the payment of the SGOFI Class A Management Fee, which will be due within fifteen (15) days of receiving such statement. If the full amount of the shortfall due and owing is not paid, the Board, in its sole and absolute discretion, may reduce the amount of any subsequent redemption proceeds paid with respect to such series of Class S Shares attributable to the relevant Class A Shareholder by an amount equal to the unpaid shortfall, together with interest accrued at a rate equal to the average yield on the Master Fund's cash and cash equivalents plus 3%.

In addition, if a Class A Shareholder redeems all of its Class A Shares in a series while Class S Shares issued in respect of such series are outstanding, the Board may establish a reserve from the redemption proceeds to pay for future expenses attributable to such series of Class S Shares.

For the avoidance of doubt, Silvercrest, in its sole and absolute discretion, may waive, reduce or rebate any management fee attributable to any Class or series of Shares held by or on behalf of any Shareholder and/or any interests in the Master Fund held by or on behalf of any other party, including, without limitation, any employee, agent or affiliate of Silvercrest or the General Partner. Silvercrest, in its sole and absolute discretion, may also pay a portion of the SGOFI Class A Management Fee to certain Shareholders, Master Fund partners or other third parties.

The Class A Shareholders will not be subject to a management fee at the Offshore Fund level.

(e) Expenses Related to the Offshore Fund and Master Fund

Each of the Offshore Fund and the Master Fund has incurred Organizational Expenses and will incur Investment Expenses and Administrative Expenses. The term "Organizational Expenses" means the expenses incurred by the Offshore Fund or the Master Fund, as applicable, in connection with its organization. The term "Investment Expenses" means the expenses associated with the investment program of the Offshore Fund or the Master Fund, as applicable,

which includes, without limitation: (i) the fees and expenses charged by Managers of the Underlying Funds, which include, but are not limited to, brokerage expenses, administrative expenses, a percentage of assets under management, a percentage of profits, a fixed fee or a combination thereof; and (ii) any fees and expenses incurred in connection with any credit facility established by the Offshore Fund or the Master Fund, as applicable. Investment Expenses also include the Class A Management Fee. The term "Administrative Expenses" means the Offshore Fund's or the Master Fund's, as applicable, accounting, legal, audit and other operating expenses and all expenses incurred in connection with the offer and sale of Shares or interests in the Master Fund, as applicable. The Offshore Fund will bear its own, and its pro rata share of the Master Fund's, Organizational Expenses, Investment Expenses and Administrative Expenses.

Silvercrest initially paid all of the Offshore Fund's Organizational Expenses, and the General Partner initially paid all of the Master Fund's Organizational Expenses. Silvercrest was reimbursed by the Offshore Fund, and the General Partner was reimbursed by the Master Fund, for all such Organizational Expenses, as applicable. Each of the Offshore Fund and the Master Fund may amortize such Organizational Expenses, as applicable, for accounting purposes over a period of 60 months from the date the Offshore Fund or the Master Fund, as applicable, commenced operations, or such other period of time as determined by the Board, in consultation with Silvercrest, or the General Partner, as applicable. The Board and Silvercrest, and the General Partner, believe that amortizing such Organizational Expenses, as applicable, is in conformance with industry standards and is more equitable than expensing the entire amount during the first year of operations, as is required by United States generally accepted accounting principles ("GAAP"). Accordingly, the auditor's opinion on the Offshore Fund's or the Master Fund's, as applicable, financial statements may contain a qualification to reflect this treatment. In such instances, the Offshore Fund or the Master Fund, as applicable, may decide to: (i) avoid the qualification by recognizing the unamortized expenses; (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating the Offshore Fund's Net Asset Value or the Master Fund's net worth, as applicable; or (iii) allow the auditor's opinion on the Offshore Fund's or the Master Fund's, as applicable, financial statements to contain such a qualification. There will be a divergence between Offshore Fund's Net Asset Value and the Net Asset Value reported in the Offshore Fund's financial statements, or between the Master Fund's net worth and the net worth reported in the Master Fund's financial statements, as applicable, in any fiscal year where, pursuant to clause (ii), GAAP conforming changes are made only to the Offshore Fund's or the Master Fund's, as applicable, financial statements for financial reporting purposes. If a Class A Shareholder redeems Class A Shares or a limited partner of the Master Fund makes a withdrawal or otherwise reduces its capital account, as applicable, prior to the end of the 60-month period during which the Company or the Master Fund, as applicable, is amortizing expenses, the Offshore Fund or the Master Fund, as applicable, may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the value being redeemed or withdrawn, as applicable, and reduce redemption or withdrawal proceeds, as applicable, by the amount of such accelerated expenses. In addition, in the event that the Offshore Fund or the Master Fund, as applicable, is wound up before such expenses are fully amortized, the unamortized portion of such expenses will be accelerated and debited against the Offshore Fund's or the Master Fund's, as applicable, assets at such time.

Expenses specifically attributable to a specific Class of Shares or interests in the Master Fund shall be charged solely to such Class or interests, as applicable. In addition, expenses relating specifically to a series of Class S Shares will be charged only to Shares of those Shareholders

participating in such series of Class S Shares pro rata in accordance with their interests therein. The Board, in its sole and absolute discretion, may allocate ordinary and recurring expenses that are not materially increased by the existence of any series of Class S Shares or the corresponding Master Fund DI Account pro rata among the Shareholders and the corresponding Master Fund Sub-Capital Account(s), excluding their interest in any series of Class S Shares and any corresponding Master Fund DI Account.

#### 4. Silvercrest Municipal Advantage Portfolio S LLC (“SMAPS”)

SMAPS is a Delaware limited liability company. SMAPS invests substantially all of its assets in the Silvercrest Municipal Advantage Master Fund, a Delaware limited liability company (the “Master Fund”). The Master Fund and SMAPS are collectively referred to as the “Fund”.

##### (a) Fees

Silvercrest is entitled to compensation in the form of a management fee (the “SMAPS Management Fee”) and a performance allocation (the “SMAPS Performance Fee”), when applicable. A discussion of the performance allocation is set forth in *Item 6 - Performance-Based Fees and Side-By-Side Management*. A discussion of the SMAPS Management Fee is set forth below.

The SMAPS Management Fee will be payable by SMAPS, solely out of its assets, quarterly, in arrears, at an annual rate equal to .75% of the Net Assets of SMAPS on the last business day of the quarter. “Net Assets” for purposes of SMAPS is defined as the total assets of SMAPS less total liabilities of SMAPS. To the extent that members withdraw from SMAPS during a quarter, the SMAPS Management Fee attributable to such withdrawal will be payable by SMAPS at the time of such withdrawal. The SMAPS Management Fee is expected to be reduced with respect to subscriptions by certain employees and/or affiliates of Silvercrest. Further, Silvercrest may, in its sole discretion, waive or reduce the SMAPS Management Fee otherwise due with respect to any member’s investment.

##### (b) Expenses

The Master Fund generally pays all of the organizational and operating expenses of SMAPS (which expenses are, in turn, borne by SMAPS as a member of the Master Fund, on a pro rata basis). Organizational expenses include, but are not limited to, legal fees and accounting fees. Organizational expenses may, to the extent they are not material, be amortized for accounting purposes on a straight-line basis over five years with such amortization commencing on the first day of the fifth quarter following the initial closing date. If the organizational expenses have not been amortized, Silvercrest may, to the extent they are not material, allocate a portion of such expenses to investors who are admitted after the initial closing date. Operating Expenses include, but are not limited to, brokerage commissions and other charges for transactions in securities and other instruments, insurance costs, administration fees and expenses, custody fees and expenses, legal, tax and accounting fees and expenses, audit fees, consulting and recording fees and expenses and servicing fees. SMAPS bears its own SMAPS Management Fee and all extraordinary expenses, including, without limitation, litigation fees and expenses.

Silvercrest is responsible for its expenses, including its general overhead, salaries, employee benefits and travel expenses of its employees and certain of its affiliates and will be reimbursed by SMAPS and the Master Fund for all non-investment advisory expenses it or its affiliates incur on behalf of SMAPS and the Master Fund.

(c) Administration Fee

Silvercrest or an affiliate of Silvercrest, will provide administrative support to SMAPS and will be paid by the Master Fund in exchange for such support. The Master Fund pays Silvercrest (or a person or entity designated by the Master Fund) an annual Administration fee (the “SMAPM Administration Fee”) in an amount equal to either (i) 0.08% of the net assets of the Master Fund or (ii) \$32,000, whichever is the greater. The SMAPM Administration Fee is paid promptly at the end of each calendar quarter and is calculated based on the net assets of the Master Fund as of the beginning of such quarter. If additional contributions are made to the Master Fund during the quarter, the SMAPM Administration Fee will be prorated and charged at the time of such contribution. The SMAPM Administration Fee is deducted in determining the net profit or net loss of the Master Fund. In the event the Master Fund is not in existence for the entire calendar quarter, the SMAPM Administration Fee for such quarter shall be prorated. Silvercrest, in its sole discretion, may waive or reduce the SMAPM Administration Fee to be paid by employees, affiliates or relatives of Silvercrest or trusts for the benefit of such persons.

5. Silvercrest Municipal Advantage Portfolio P LLC (“SMAPP” or the “Feeder Fund”)

(a) SMAPP Management Fee

SMAPP invests substantially all of its assets in the Silvercrest Municipal Advantage Master Fund LLC, another Delaware limited liability company (the “Master Fund”). The Master Fund and SMAPP are collectively referred to as the “Fund”. Silvercrest is entitled to compensation in the form of a management fee (the “SMAPP Management Fee”). The SMAPP Management Fee will be payable by SMAPP, solely out of its assets, quarterly, in arrears, at an annual rate equal to 0.80% of the Feeder Fund’s Net Assets up to, and including, \$100,000,000, and at an annual rate equal to 0.75% of the Feeder Fund’s Net Assets above \$100,000,000. “Net Assets” for purposes of SMAPP is defined as the total assets of the Feeder Fund less total liabilities of the Feeder Fund. To the extent that members withdraw from the Feeder Fund during a quarter, the SMAPP Management Fee attributable to such withdrawals will be payable by the Feeder Fund at the time of such withdrawals. The SMAPP Management Fee is expected to be reduced with respect to subscriptions by certain employees and/or affiliates of Silvercrest. Further, Silvercrest may, in its sole discretion, waive or reduce the SMAPP Management Fee otherwise due with respect to any member’s investment.

(b) Expenses

The Master Fund generally pays all of the organizational and operating expenses of SMAPP (which expenses are, in turn, borne by SMAPP as a member of the Master Fund, on a pro rata basis). Organizational expenses include, but are not limited to, legal fees and accounting fees. Organizational expenses may, to the extent they are not material, be amortized for accounting

purposes on a straight-line basis over five years with such amortization commencing on the first day of the fifth quarter following the initial closing date. If the organizational expenses have not been amortized, Silvercrest may, to the extent they are not material, allocate a portion of such expenses to investors who are admitted after the initial closing date. Operating Expenses include, but are not limited to, brokerage commissions and other charges for transactions in securities and other instruments, insurance costs, administration fees and expenses, custody fees and expenses, legal, tax and accounting fees and expenses, audit fees, consulting and recording fees and expenses and servicing fees. SMAPP bears its own SMAPP Management Fee and all extraordinary expenses, including, without limitation, litigation fees and expenses.

Silvercrest is responsible for its expenses, including its general overhead, salaries, employee benefits and travel expenses of its employees and certain of its affiliates and will be reimbursed by SMAPP and the Master Fund for all non-investment advisory expenses it or its affiliates incur on behalf of SMAPP and the Master Fund.

(c) Administration Fee

Silvercrest or an affiliate of Silvercrest, will provide administrative support to SMAPP and will be paid by the Master Fund in exchange for such support. the Master Fund pays Silvercrest (or a person or entity designated by the Master Fund) an annual Administration fee (the “SMAPM Administration Fee”) in an amount equal to either (i) 0.08% of the net assets of the Master Fund or (ii) \$32,000, whichever is the greater. The SMAPM Administration Fee is paid promptly at the end of each calendar quarter and is calculated based on the net assets of the Master Fund as of the beginning of such quarter. If additional contributions are made to the Master Fund during the quarter, the SMAPM Administration Fee will be prorated and charged at the time of such contribution. The SMAPM Administration Fee is deducted in determining the net profit or net loss of the Master Fund. In the event the Master Fund is not in existence for the entire calendar quarter, the SMAPM Administration Fee for such quarter shall be prorated. Silvercrest, in its sole discretion, may waive or reduce the SMAPM Administration Fee to be paid by employees, affiliates or relatives of Silvercrest or trusts for the benefit of such persons.

6. Silvercrest Municipal Advantage Portfolio A LLC (“SMAPA”)

(a) SMAPA Management Fee

SMAPA is a Delaware limited liability company. SMAPA invests substantially all of its assets in the Silvercrest Municipal Advantage Master Fund, a Delaware limited liability company (the “Master Fund”). The Master Fund and SMAPA are collectively referred to as the “Fund”. Silvercrest is entitled to compensation in the form of a management fee (the “SMAPA Management Fee”). For investors that became members of SMAPA prior to January 1, 2010, the SMAPA Management Fee will be payable by SMAPA, solely out of its assets, quarterly, in arrears, at an annual rate equal to 1.00% of SMAPA’s Net Assets attributable to such members on the last business day of the quarter. For the avoidance of doubt, the SMAPA Management Fee applicable to such members will apply to any subscriptions made by such members on or after January 1, 2010.

For investors that became or become members of SMAPA after December 31, 2009, the SMAPA Management Fee will be payable by SMAPA, solely out of its assets, quarterly, in arrears, at an annual rate equal to 1.50% of SMAPA's Net Assets attributable to such members on the last business day of the quarter.

"Net Assets" for purposes of SMAPA is defined as the total assets of SMAPA less total liabilities of SMAPA. To the extent that members withdraw from SMAPA during a quarter the SMAPA Management Fee attributable to such withdrawals will be payable by SMAPA at the time of such withdrawals. The SMAPA Management Fee is expected to be reduced with respect to subscriptions by certain employees and/or affiliates of Silvercrest. Further, Silvercrest may, in its sole discretion, waive or reduce the SMAPA Management Fee otherwise due with respect to any member's investment.

(b) Expenses

The Master Fund generally pays all of the organizational and operating expenses of SMAPA (which expenses are, in turn, borne by SMAPA as a member of the Master Fund, on a *pro rata* basis). Organizational expenses include, but are not limited to, legal fees and accounting fees. Organizational expenses may, to the extent they are not material, be amortized for accounting purposes on a straight-line basis over five years with such amortization commencing on the first day of the fifth quarter following the initial closing date. If the organizational expenses have not been amortized, Silvercrest may, to the extent they are not material, allocate a portion of such expenses to investors who are admitted after the initial closing date. Operating Expenses include, but are not limited to, brokerage commissions and other charges for transactions in securities and other instruments, insurance costs, administration fees and expenses, custody fees and expenses, legal, tax and accounting fees and expenses, audit fees, consulting and recording fees and expenses and servicing fees. SMAPA bears its own SMAPA Management Fee and all extraordinary expenses, including, without limitation, litigation fees and expenses.

Silvercrest is responsible for its expenses, including its general overhead, salaries, employee benefits and travel expenses of its employees and certain of its affiliates and will be reimbursed by SMAPA and the Master Fund for all non-investment advisory expenses it or its affiliates incur on behalf of SMAPA and the Master Fund.

(c) Administration Fee

Silvercrest or an affiliate of Silvercrest, will provide administrative support to SMAPA and will be paid by the Master Fund in exchange for such support. The Master Fund pays Silvercrest (or a person or entity designated by the Master Fund) an annual Administration fee (the "SMAPM Administration Fee") in an amount equal to either (i) 0.08% of the net assets of the Master Fund or (ii) \$32,000, whichever is the greater. The SMAPM Administration Fee is paid promptly at the end of each calendar quarter and is calculated based on the net assets of the Master Fund as of the beginning of such quarter. If additional contributions are made to the Master Fund during the quarter, the SMAPM Administration Fee will be prorated and charged at the time of such contribution. The SMAPM Administration Fee is deducted in determining the net profit or net loss of the Master Fund. In the event the Master Fund is not in existence for the entire calendar quarter, the SMAPM Administration Fee for such quarter shall be prorated. Silvercrest, in its



sole discretion, may waive or reduce the SMAPM Administration Fee to be paid by employees, affiliates or relatives of Silvercrest or trusts for the benefit of such persons.

7. Silvercrest Market Neutral Fund and Silvercrest Market Neutral Fund (International) (together "SMNF")

(a) SMNF Management Fees

Silvercrest is entitled to compensation in the form of a management fee (the "SMNF Management Fee") and a performance allocation (the "SMNF Performance Fee"), when applicable. A discussion of the performance allocation is set forth in *Item 6 - Performance-Based Fees and Side-By-Side Management*. A discussion of the SMNF Management Fee is set forth below.

The SMNF Management Fee will be payable by SMNF, solely out of its assets, monthly, in advance, at an annual rate equal to .25% of the Net Worth of SMNF on the first business day of the month. The "Net Worth" of SMNF is equal to the estimated value of its total assets minus the estimated sum of its total liabilities (including reserves for taxes), as of the pertinent valuation date, based on the net asset values reported to it by the underlying funds in which SMNF invests. The SMNF Management Fee is expected to be waived with respect to subscriptions by certain employees and/or affiliates of Silvercrest. Silvercrest, in its sole discretion, may waive or reduce the SMNF Management Fee to be paid by employees, affiliates or relatives of Silvercrest or trusts for the benefit of such persons.

(b) SMNF Advisory Fees

SMNF is responsible for its *pro rata* share of fees payable to the sub-fund managers or, if SMNF invests through an intermediary entity or entities, fees to the investment advisors thereof (collectively, the "SMNF Advisory Fees"). The SMNF Advisory Fees will vary, but they will typically consist of a management (asset-based) fee and an incentive fee. Management fees typically range between 1% and 2% of a sub-fund's net asset value per year and incentive fees typically range between 20% and 30% of the sub-fund's net new profits. Generally, incentive fees with respect to a specific sub-fund will be charged on a "high water mark" basis, so that trading losses will be carried forward and will be recouped before an incentive fee can be earned. Because incentive fees will be based on each sub-fund's performance, SMNF may in effect pay incentive fees during periods when it is not profitable on an overall basis (for example, if the losses of the unprofitable sub-funds together with expenses of SMNF exceed the profits of the profitable sub-funds).

(c) Expenses

SMNF, solely out of its assets, pays all of its organization and operating expenses. Organization expenses, including, but not limited to, legal fees, trustee fees and accounting fees, may, to the extent they are not material, be amortized on a straight-line basis over five years. If the organization expenses have not been amortized, SMNF may, to the extent they are not material, allocate a portion of such expenses to investors who are admitted after the initial closing date.

Operating Expenses include, but are not limited to, brokerage commissions and other charges for transactions in securities and other instruments, certain due diligence expenses relating to investments in sub-funds, insurance costs, administration fees and expenses, custody fees and expenses, legal, tax and accounting fees and expenses, audit fees, administrator fees, trustee fees, consulting and recording fees and expenses and servicing fees. SMNF also bears its own SMNF Management Fees and SMNF Performance Fees and all extraordinary expenses, including, without limitation, litigation fees and expenses.

Silvercrest is responsible for its expenses, including its general overhead, salaries, employee benefits and travel expenses of its employees and certain of its affiliates and will be reimbursed by SMNF, solely out of assets of SMNF, for all non-investment advisory expenses (i.e. out-of-pocket expenses) it or certain of its affiliates incur on behalf of SMNF.

8. Silvercrest Special Situations Fund LP ("SSSF")

(a) The Basic Fee

Silvercrest is entitled to compensation in the form of a management fee to be paid by SSSF (the "SSSF Management Fee"). A discussion of the SSSF Management Fee is set forth below.

SSSF pays Silvercrest a quarterly basic fee (the "Basic SSSF Fee") computed, in advance, at an annual rate of 1.35% (i.e., 0.3375% per quarter) of the value of the limited partner's capital account. The Basic SSSF Fee is paid to Silvercrest promptly after the first day of each quarter based on the value of the net assets of SSSF as of the first day of such quarter. In the event SSSF is not in existence for the entire quarter, the Basic SSSF Fee for such quarter will be prorated. If additional contributions are made to SSSF during the quarter, the Basic SSSF Fee will be prorated and charged at the time of such contribution.

(b) Expenses

Silvercrest Investors II LLC, the General Partner for SSSF, is authorized to incur and pay in the name and on behalf of SSSF all expenses which it deems necessary or advisable.

Except as provided below, the General Partner is responsible for and pays, or causes to be paid, certain overhead expenses including: overhead expenses of an ordinarily recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance (e.g., life, health or disability), payroll taxes and compensation of analysts.

All other expenses are borne by SSSF, including: the fees and costs incidental to the purchase and sale of interests in, and the fees and expenses of, any entity in which SSSF invests; legal, accounting, auditing, internal and external administrative and other professional expenses; directors and officers insurance and errors and omissions insurance obtained by the General Partner for the benefit of SSSF and the General Partner and/or Silvercrest; research expenses; investment expenses such as commissions, custodial fees, bank service fees and other reasonable expenses related to the purchase, sale or transmittal of the assets of SSSF as shall be determined by the General Partner in its sole discretion. SSSF may bear a portion of the General Partner's and/or Silvercrest's administrative and overhead expenses, provided that such expenses allocated

to that fund do not exceed 0.15% of the fund's assets in any fiscal year. The organizational expenses of SSSF have been completely amortized.

9. ASTON/Silvercrest Small Cap Funds (the "Aston Funds")

(a) The Management Fee

As the investment adviser to the Funds, Aston Asset Management, LP is paid an annual management fee based on the average daily net assets of the Aston Funds. Out of its fee, Aston pays Silvercrest. For its advisory services, Aston is entitled to receive its management fee from the Funds at an annual rate of 1.00% based on the average daily net assets.

(b) Expenses

ANNUAL ASTON FUNDS OPERATING EXPENSES

(expenses that investors pay each year as a percentage of the value of their investment)

	<b>Class N Shares</b>	<b>Class I Shares</b>
Management Fees .....	1.00%	1.00%
Distribution (12b-1) Fees .....	0.25%	None
Other Expenses .....	0.022%	0.022%
Total Annual Fund Operating Expenses .....	1.47%	1.22%
Fee Waiver and/or Expense Reimbursement .....	(0.07)% (a)	(0.07)% (a)
Total Annual Fund Operating Expenses After Fee Waiver and/or Expense Reimbursement .....	1.41% (c)	1.16% (c)

(a) Aston is contractually obligated to waive management fees and/or reimburse ordinary operating expenses through February 28, 2017, not including interest, taxes, brokerage commissions, other investment-related costs, extraordinary expenses and acquired fund fees and expenses to the extent that operating expenses exceed 1.40% of the Fund's average daily net assets with respect to Class N shares and 1.15% of the Fund's average daily net assets with respect to Class I shares (the "Operating Expense Limit"). Prior to February 28, 2017, the arrangement may be amended or terminated for a class only by a vote of the Board of Trustees of Aston Funds. For a period of up to three years from the fiscal year end during which such amount was waived or reimbursed (the "Recovery Period"), Aston is entitled to be reimbursed by the Aston Fund for such fees waived and expenses reimbursed from the commencement of operations through the completion of the first three full fiscal years to the extent that the expense ratio for a class, not including interest, taxes, brokerage commissions, other investment-related costs, extraordinary expenses, such as litigation and other expenses not incurred in the ordinary course of the Aston Fund's business, and acquired fund fees and expenses, are at or below the Operating Expense Limit after such reimbursement.

**EXAMPLE**

This example is intended to help investors compare the cost of investing in the Aston Fund with the cost of investing in other mutual funds. The example shows the operating expenses you would incur as a shareholder if an investor invested \$10,000 in the Aston Fund over the time periods shown and the investor redeemed all of its shares at the end of those periods. The

example assumes that the average annual return was 5%, operating expenses remained the same and expenses were capped for the first year in each period. Although actual costs may be higher or lower, based on the above assumptions, the investor's costs would be:

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Class N Shares	\$ 143	\$ 458	\$796	\$1,751
Class I Shares	\$ 117	\$ 380	\$664	\$1,471

#### **PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If shares are purchased through a broker-dealer or other financial intermediary (such as a bank), the Aston Fund and its related companies may pay the intermediary for the sale of shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and the salesperson to recommend the Aston Fund over another investment. Before purchasing shares of the Aston Fund through a sales person, ask the salesperson or visit his or her financial intermediary's website for more information.

To pay for the cost of promoting the Aston Fund and servicing shareholder accounts, the Aston Fund has adopted a Rule 12b-1 distribution plan for Class N shares. Under this plan, the Aston Fund pays a fee at an annual rate of not more than 0.25% of the Aston Fund's Class N shares' average daily net assets to distributors for certain expenses associated with the distribution of Aston Fund shares and other services. The fee is accrued daily and payable monthly. Over time, these fees may increase the cost of an investment in the Aston Fund and may cost more than paying other types of sales charges.

#### **10. Silvercrest Commodity Strategies Fund LP ("SCF")**

##### **(a) The Basic Fee**

Silvercrest is entitled to compensation in the form of a management fee to be paid by SCF (the "SCF Management Fee") and a performance allocation (the "SCF Performance Fee"). A discussion of the performance allocation is set forth in *Item 6 - Performance-Based Fees and Side-By-Side Management*. A discussion of the SCF Management Fee is set forth below.

SCF pays Silvercrest, out of each limited partner's capital account, an asset-based management fee (the "Basic SCF Fee"), monthly in advance, on the first business day of the month, at a rate equal to 1.00% per annum (i.e., 0.25% per quarter) of the each limited partner's capital account balance (prior to any accrued performance allocation). The Basic SCF Fee is prorated for any contributions made on a date other than the beginning of a month. In the event the fund in question is not in existence for the entire quarter, the Basic SCF Fee for such quarter will be prorated. If additional contributions are made to that fund during the quarter, the Basic SCF Fee will be prorated and charged at the time of such contribution.

##### **(b) Expenses**

Silvercrest Investors II LLC, the General Partner for SCF, is authorized to incur and pay in the name and on behalf of each fund all expenses which it deems necessary or advisable.

Except as provided below, the General Partner is responsible for and pays, or causes to be paid, certain organizational expenses including, including but not limited to, legal, accounting and filing fees. Operating expenses include, but are not limited to, custodial, brokerage and placement fees, administrative fees and expenses due diligence and related extraordinary travel expenses, expenses incurred for or by any consultants, continuing offering expenses, reporting cost, legal expenses, accounting and audit expenses, and all extraordinary expenses, including without limitation, litigation fees and expenses.

SCF's expenses also include the management and performance fees and other expenses associated with its investments with the portfolio managers of the underlying funds (such as organization, offering, custodial, brokerage, administrative, accounting, audit and legal expenses and any extraordinary expenses). The management and performance fees of those portfolio managers vary, but typically consist of management fees of 1% to 2% per annum of assets under management and performance fees of 15% to 25% of net new profits. It is anticipated that in most cases these performance fees are charged on a "high water mark" basis, so that any trading losses are carried forward and must be recouped before a performance fee can be earned. Because performance fees are based separately on each portfolio manager's performance, SCF itself may pay performance fees during periods when it is not profitable on an overall basis.

11. Silvercrest International Fund, L.P. ("SIF")

(a) The Basic SIF Fee

SIF is currently offering three Series: the Master Series, the Emerging Market Series and the Frontier Market Series. Each Series pays Silvercrest a quarterly basic fee (the "Basic SIF Fee") computed, in advance, at an annual rate of 1.35% (i.e., 0.3375% per quarter) of the value of each limited partner's capital account in such Series. The Basic SIF Fee is paid to Silvercrest promptly after the first day of each quarter based on the value of the net assets of each Series as of the first day of such quarter. In the event that a Series is not in existence for the entire quarter, the Basic SIF Fee attributable to such Series for such quarter will be prorated. If additional contributions are made to a Series during the quarter, the Basic SIF Fee attributable to such Series will be prorated and charged at the time of such contribution. The General Partner of SIF, Silvercrest Investors II LLC, may, in its sole discretion, waive or reduce the Basic SIF Fee otherwise due with respect to any limited partner's capital account in one or more Series. To the extent that a Series invests in one or more other Series, the investing Series will not be subject to any additional or layering of the Basic SIF Fee.

(b) Expenses

The General Partner is authorized to incur and pay in the name and on behalf of each Series all expenses which it deems necessary or advisable. Except as provided below, the General Partner is responsible for and pays, or causes to be paid, certain overhead expenses including: overhead expenses of an ordinarily recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance (e.g., life, health or disability), payroll taxes and compensation of analysts. All other expenses are borne by each Series to the extent such expenses are reasonably attributable to such Series, including: the fees and costs incidental

to the purchase and sale of interests in, and the fees and expenses of, any entity in which such Series invests; legal, accounting, auditing, internal and external administrative and other professional expenses; directors and officers insurance and errors and omissions insurance obtained by the General Partner for the benefit of such Series, the General Partner and/or Silvercrest; research expenses; investment expenses such as commissions, custodial fees, bank service fees; and other reasonable expenses related to the purchase, sale or transmittal of the assets of such Series as shall be determined by the General Partner in its sole discretion. Each Series may bear a portion of the General Partner's and/or the administrative and overhead expenses of Silvercrest, provided that such expenses allocated to a Series do not exceed 0.15% of such Series' assets in any fiscal year. To the extent that a Series invests in one or more other Series, the investing Series will bear its pro rata portion of the expenses of the Series in which it is invested. Partnership expenses not specifically attributable to a particular Series will be apportioned pro rata among all Series based on their relative net worth.

12. Silvercrest Jefferson Fund, L.P. ("SJF")

(a) The Basic Fee

SJF is a limited partnership in which investors will purchase Class A limited partnership units, thereby becoming Class A Limited Partners of SJF. SJF is a fund of funds, investing in underlying mutual funds, exchange-traded funds ("ETFs"), separately managed accounts, hedge funds, private equity funds, real estate funds and venture capital funds ("Underlying Funds"). Silvercrest, as investment manager to SJF, will receive a quarterly management fee, calculated and payable in advance on the first Business Day of each quarter, equal to one-fourth of 0.75% percent of the net worth of each Class A Limited Partner's capital account as of the first Business Day of such month attributable to the Class A Limited Partners) (the "SJF Class A Management Fee"). SJF may invest a portion of its assets in the interests of an Underlying Fund (including, without limitation, a private equity fund, real estate fund or venture capital fund) that Silvercrest determines is difficult to value and/or not readily marketable, or should be held until the resolution of a special event or circumstance, including, without limitation, interests in an Underlying Fund attributable to investments held by the Underlying Fund that the applicable Underlying Fund manager has placed in a separate special account of the Underlying Fund (each, a "Designated Investment"). Silvercrest may elect to place such Designated Investment in a separate special account of the Partnership (each, a "DI Account"). The net worth figure used to calculate SJF's fee will also include the value of any DI Account(s).

The SJF Class A Management Fee will be payable in U.S. Dollars, normally within ten (10) days after the beginning of each quarter. The SJF Class A Management Fee will be calculated after taking into account all expenses and reductions of the relevant capital account(s) as a result of withdrawals, in each case as of the end of the prior quarter, and increases in the relevant capital account(s) as a result of subscriptions for Class A Interests, in each case as of the beginning of such quarter. In addition, the SJF Class A Management Fee will be prorated for such reductions and/or increases during any quarter and for any quarter during which Silvercrest does not serve as the investment manager of SJF for the entire quarter. Accordingly, in the event of any such intra-quarter reduction or where Silvercrest does not serve as the investment manager of SJF for the entire quarter, Silvercrest will refund a pro rata portion of the SJF Class A Management Fee

for such quarter to the applicable Class A Limited Partner, in each case without interest. For the avoidance of doubt, any portion of the SJF Class A Management Fee attributable to a Designated Investment will be debited against the net worth of each capital account from which the amounts in the DI Account corresponding to such Designated Investment had been originally allocated. If, after giving effect to a withdrawal, a withdrawing Class A Limited Partner's remaining balance in such Class A Limited Partner's capital account is attributable to an interest in one or more DI Accounts but such Class A Limited Partner would otherwise have withdrawn from the Partnership the full value of such Class A Limited Partner's Class A Interest, the general partner of SJF, which is Silvercrest Investors III LLC ("the GP"), in its sole and absolute discretion, may reserve or hold back from the withdrawal proceeds payable with respect to such withdrawal, such amount, as the GP, in consultation with Silvercrest, deems sufficient to cover the SJF Class A Management Fee expected to be payable over the life of each Designated Investment corresponding to such DI Account (with respect to each relevant Class A Limited Partner, the "Management Fee Reserve"). The Management Fee Reserve will earn interest at a rate equal to the average yield on SJF's cash and cash equivalents for the period from the applicable withdrawal date until the date the Management Fee Reserve is used. Generally, any unused portion of the Management Fee Reserve will be paid to the Class A Limited Partner upon a Realization Event (as defined below) with respect to the relevant Designated Investment. To the extent that the Management Fee Reserve and any interest thereon does not cover the SJF Class A Management Fee that is due in any year during the life of the DI Account, the Partnership will send a periodic statement to the relevant Class A Limited Partner providing for the payment of the SJF Class A Management Fee, which shall be due within fifteen (15) days of receiving such statement. If the full amount of the shortfall due and owing is not paid, the GP, in its sole and absolute discretion, may reduce the amount of any subsequent withdrawal proceeds paid to such Class A Limited Partner by an amount equal to the unpaid shortfall, together with interest accrued at a rate equal to the average yield on SJF's cash and cash equivalents plus three percent (3%).

In addition, if a Class A Limited Partner withdraws the full value of its capital account while a portion of the value of such Class A Limited Partner's capital account is attributable to an interest in a DI Account, the GP may establish a reserve from the withdrawal proceeds to pay for future expenses attributable to such DI Account.

A "Realization Event" occurs when: (i) the Designated Investment and/or related follow-up investment(s) (if any) become liquid (including, without limitation, when there is a public offering of the securities constituting the Designated Investment and/or related follow-up investment(s) (if any) that provides a reasonable value); (ii) the Designated Investment and/or related follow-up investment(s) (if any) are liquidated, sold or otherwise disposed of by SJF; or (iii) circumstances otherwise exist that, in the judgment of Silvercrest, conclusively establish a value for the Designated Investment and/or related follow-up investment (s) (if any) other than fair value or cost (including, without limitation, when additional securities substantially similar to the Designated Investment and/or related follow-up investment (s) (if any) have been issued by the issuer of such Designated Investment and/or related follow-up investment (s) (if any)).

For the avoidance of doubt, the GP, in consultation with Silvercrest, may waive, reduce or rebate any SJF Class A Management Fee attributable to any Class A Interest, including, without

limitation, any Class A Interest attributable to any employee, agent or affiliate of Silvercrest and/or the general partner. Silvercrest, in its sole and absolute discretion, may also pay a portion of the SJF Class A Management Fee to certain limited partners, affiliates and/or other third parties.

The GP shall have the authority to alter or change the manner and method of calculating and/or paying the management fee solely for the purpose of ease of administration, including, without limitation, in the event that SJF is restructured as a feeder fund in a master-feeder structure, charging such fee at the master fund level rather than the feeder fund level, provided that no such alteration or change in the method of calculation and/or payment, as applicable, shall in any way alter or affect the substantive rights of any limited partner, including, without limitation, the economic provisions and voting rights described herein, or otherwise affect their rights as limited partners.

(b) Expenses

The GP and Silvercrest shall pay, without reimbursement by SJF, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses on account of rent, salaries, office equipment, computer equipment, supplies, wages, bonuses and other employee benefits (except to the extent paid using soft dollars within Section 28(e) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder by the SEC (the “Exchange Act”). SJF has incurred and will incur SJF Organizational Expenses, SJF Investment Expenses and SJF Operating Expenses. The term “SJF Organizational Expenses” means the expenses incurred by SJF in connection with its organization and the initial offering of SJF limited partnership interests. The term “SJF Investment Expenses” means the expenses associated with the investment program of SJF, which includes, without limitation: (i) the fees and expenses charged by the investment managers of the Underlying Funds to SJF, which include, but are not limited to, brokerage expenses, administrative expenses, a percentage of assets under management, a percentage of profits, a fixed fee or a combination thereof; (ii) to the extent Silvercrest causes SJF to open separately managed accounts, SJF bears the expenses associated with the management of such accounts, including their administrative and transaction expenses and the management fees and incentive compensation charged by the Underlying Fund managers; and (iii) any fees and expenses incurred in connection with any credit facility established by SJF. The term “SJF Operating Expenses” means SJF’s operating expenses, including, without limitation, administrative expenses, custodial expenses, legal expenses, compliance and regulatory expenses, internal and external accounting expenses, audit and tax preparation expenses, interest, taxes, costs, all expenses incurred in connection with the offer and sale of SJF limited partnership interests, and all other expenses associated with the operation of SJF, including, without limitation, all extraordinary expenses (such as the cost of litigation or indemnification payments, if any). SJF will bear its own SJF Organizational Expenses, SJF Investment Expenses and SJF Operating Expenses, in addition to the SJF Class A Management Fee.

The GP will initially pay all of SJF’s SJF Organizational Expenses and will be reimbursed by SJF for all such SJF Organizational Expenses. SJF may amortize such SJF Organizational Expenses for accounting purposes over a period of sixty (60) months from the date SJF



commenced operations, or such other period of time as determined by the GP. The GP believes that amortizing such SJF Organizational Expenses, as applicable, is in conformance with industry standards and is more equitable than expensing the entire amount during the first year of operations, as is required by United States generally accepted accounting principles (“GAAP”). Accordingly, the auditor’s opinion on SJF’s financial statements may contain a qualification to reflect this treatment. In such instances, SJF may decide to: (i) avoid the qualification by recognizing the unamortized expenses; (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating SJF’s net worth; or (iii) allow the auditor’s opinion on SJF’s financial statements to contain such a qualification. There will be a divergence between SJF’s net worth and the net worth reported in SJF’s financial statements in any fiscal year where, pursuant to clause (ii), GAAP conforming changes are made only to SJF’s financial statements for financial reporting purposes. If a Class A Limited Partner withdraws its Class A limited partnership interest or otherwise reduces its capital account, as applicable, prior to the end of the sixty (60) month period during which SJF may amortize expenses, SJF may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the value being withdrawn, as applicable, and reduce withdrawal proceeds, as applicable, by the amount of such accelerated expenses. In addition, in the event that SJF is wound up before such expenses are fully amortized, the unamortized portion of such expenses will be accelerated and debited against SJF’s assets at such time. Expenses specifically attributable to a single limited partner, group of limited partners or class of interests in SJF shall be charged solely to such limited partner, group of limited partners or limited partner interests, as applicable. In addition, expenses relating specifically to a DI Account will be charged only to capital accounts of those limited partners participating in such DI Account pro rata in accordance with their interests therein. The GP, in its sole and absolute discretion, may allocate ordinary and recurring expenses that are not materially increased by the existence of the corresponding DI Account pro rata among the limited partners and their corresponding capital account(s), excluding their interest in any DI Account.

SJF may use “soft dollars” generated through agency and certain riskless principal transactions to pay for certain products and services, to the extent such use falls within the safe harbor for the use of soft dollars provided under Section 28(e) of the Securities Exchange Act of 1934, as amended. Underlying fund managers may utilize “soft dollars” that fall outside of this safe harbor. Notwithstanding anything to the contrary herein, the GP shall have the authority to alter or change the manner and method of calculating and/or paying the expenses solely for the purpose of ease of administration, including, without limitation, in the event that SJF is restructured as a feeder fund in a master-feeder structure, paying such expense at the master fund level rather than at the feeder fund level, provided that no such alteration or change in the method of calculation and payment shall in any way alter or affect the substantive rights of any limited partner, including, without limitation, the economic provisions and voting rights described herein, or otherwise affect their rights as limited partners.

13. Silvercrest Jefferson Fund, LTD and Silvercrest Jefferson Master Fund, L.P. (together, “SJMF”)

(a) The Basic Fee

Silvercrest Jefferson Fund, LTD (“SJFI”) is an exempted company incorporated under the laws of the Cayman Islands. SJFI invests all or substantially all of its assets in Silvercrest Jefferson Master Fund, L.P. (the “Master Fund”). The Master Fund is a Cayman Islands exempted limited partnership. Investors do not directly purchase interests in the Master Fund. SJFI currently has one (1) Class of Shares available to investors: the Class A Shares. Purchasers of Class A Shares are referred to as “Class A Shareholders.”

The Master Fund will establish and maintain a separate capital account for SJFI. In addition, the Master Fund will establish and maintain a separate sub-capital account (each, a “Master Fund Sub-Capital Account”) corresponding to each series of Shares of the Company. The Master Fund will pay to Silvercrest, as investment manager, a quarterly management fee, calculated and payable in advance on the on the first Business Day of each quarter, equal to one-fourth of 0.75% percent of the net worth of each Master Fund Sub-Capital Account as of the first business day of such quarter (including, without limitation, the value of any Master Fund DI Account(s) attributable to the Class A Shares) (the “Class A Management Fee”). The Class A Management Fee will be payable in U.S. Dollars, normally within ten (10) days after the beginning of each quarter.

The Class A Management Fee will be calculated after taking into account all expenses and reductions of the relevant Master Fund Sub-Capital Account(s) as a result of redemptions of corresponding Class A Shares, in each case as of the end of the prior quarter, and increases in the relevant Master Fund Sub-Capital Account(s) as a result of subscriptions for Class A Shares, in each case as of the beginning of such quarter. In addition, the Class A Management Fee will be prorated for such reductions and/or increases during any quarter and for any quarter during which Silvercrest does not serve as the investment manager of the Master Fund for the entire quarter. Accordingly, in the event of any such intra-quarter reduction or where Silvercrest does not serve as the investment manager of the Master Fund for the entire quarter, Silvercrest will refund a pro rata portion of the Class A Management Fee for such quarter to the Master Fund for the ultimate benefit of the relevant Class A Shareholder(s), in each case without interest.

SJFI is also authorized to issue Class S Shares in connection with Master Fund DI Accounts. For the avoidance of doubt, any portion of the Class A Management Fee ultimately attributable to a Designated Investment will be debited against the net worth of each Master Fund Sub-Capital Account from which the amounts in the Master Fund DI Account corresponding to such Designated Investment had been originally allocated, that is in turn attributable to the relevant series of Class S Shares and, therefore, to the series of Class A Shares which had been exchanged for such series of Class S Shares. If, after giving effect to a redemption at the Company level, a Class A Shareholder would continue to own Class S Shares of one or more series but no longer hold the Class A Shares which had been exchanged for such series of Class S Shares, the Board of Directors of SJFI (the “Board”), in its sole and absolute discretion, may reserve or hold back from the redemption proceeds payable with respect to such redemption, such amount as Silvercrest deems sufficient, in its sole and absolute discretion, to cover the Class A Management Fee expected to be payable over the life of each Designated Investment corresponding to such series of Class S Shares and the related Master Fund DI Account (with respect to each relevant Class A Shareholder, the “Management Fee Reserve”). SJFI will then

pay the Management Fee Reserve to the Master Fund. The Management Fee Reserve will earn interest at a rate equal to the average yield on the Master Fund's cash and cash equivalents for the period from the applicable redemption date until the date the Management Fee Reserve is used. Generally, any unused portion of the Management Fee Reserve will be paid to SJFI, with interest, for the ultimate benefit of the relevant Class A Shareholder upon a Realization Event with respect to the relevant Designated Investment. To the extent that the Management Fee Reserve and any interest thereon does not cover the Class A Management Fee that is due in any year during the life of a series of Class S Shares and the related Master Fund DI Account, the Master Fund will so notify SJFI and SJFI will in turn send a periodic statement to the relevant Class A Shareholder providing for the payment of the Class A Management Fee, which shall be due within fifteen (15) days of receiving such statement. If the full amount of the shortfall due and owing is not paid, the Board, in its sole and absolute discretion, may reduce the amount of any subsequent redemption proceeds paid with respect to such series of Class S Shares attributable to the relevant Class A Shareholder by an amount equal to the unpaid shortfall, together with interest accrued at a rate equal to the average yield on the Master Fund's cash and cash equivalents plus three percent (3%). In addition, if a Class A Shareholder redeems all of its Class A Shares in a series while Class S Shares issued in respect of such series are outstanding, the Board may establish a reserve from the redemption proceeds to pay for future expenses attributable to such Master Fund DI Account and applicable series of Class S Shares.

For the avoidance of doubt, Silvercrest, in its sole and absolute discretion, may waive, reduce or rebate any management fee attributable to any Class or series of Shares held by or on behalf of any Shareholder and/or any interests in the Master Fund held by or on behalf of any other party, including, without limitation, any employee, agent or affiliate of Silvercrest. Silvercrest, in its sole and absolute discretion, may also pay a portion of the Class A Management Fee to certain shareholders, Master Fund partners, affiliates and/or other third parties. Silvercrest, the GP and/or the Board shall have the authority to alter or change the manner and method of calculating and/or paying the Class A Management Fee, including, without limitation, charging such fee at the SJFI level rather than at the Master Fund level, provided that no such alteration or change in the method of calculation and/or payment, as applicable, shall in any way alter or affect the substantive rights of any shareholder or any limited partner in the Master Fund, including, without limitation, the economic provisions and voting rights described herein, or otherwise affect their rights as shareholders or limited partners in the Master Fund.

#### (b) Expenses

Silvercrest and the GP shall pay, without reimbursement by SJFI and/or the Master Fund, as applicable, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses on account of rent, salaries, office equipment, computer equipment, supplies, wages, bonuses and other employee benefits (except to the extent paid using soft dollars within Section 28(e) of the Exchange Act). Each of SJFI and the Master Fund has incurred and will incur Organizational Expenses, Investment Expenses and Operating Expenses. The term "Organizational Expenses" means the expenses incurred by SJFI or the Master Fund, as applicable, in connection with its organization and the initial offering of Shares. The term "Investment Expenses" means the expenses associated with the investment program of SJFI or the Master Fund, as applicable, which includes, without limitation: (i) the fees and

expenses charged by underlying fund managers to the Master Fund, which include, but are not limited to, brokerage expenses, administrative expenses, a percentage of assets under management, a percentage of profits, a fixed fee or a combination thereof; (ii) to the extent Silvercrest causes the Master Fund to open separately managed accounts, the Master Fund bears the expenses associated with the management of such accounts, including their administrative and transaction expenses and the management fees and incentive compensation charged by the underlying fund managers; and (iii) any fees and expenses incurred in connection with any credit facility established by SJFI and/or the Master Fund, as applicable. The term “Operating Expenses” means the operating expenses of SJFI or the Master Fund, as applicable, including, without limitation, administrative expenses, custodial expenses, legal expenses, compliance and regulatory expenses, internal and external accounting expenses, audit and tax preparation expenses, interest, taxes, costs, all expenses incurred in connection with the offer and sale of Shares, and all other expenses associated with the operation of SJFI or the Master Fund, as applicable, including, without limitation, all extraordinary expenses (such as the cost of litigation or indemnification payments, if any). SJFI will bear its own and its pro rata share of the Master Fund’s Organizational Expenses, Investment Expenses and Operating Expenses, in addition to the Class A Management Fee.

Silvercrest will initially pay all of SJFI’s Organizational Expense, and the GP will initially pay all of the Master Fund’s Organizational Expenses. Silvercrest will be reimbursed by SJFI, and the GP will be reimbursed by the Master Fund, for all such Organizational Expenses. Each of SJFI and the Master Fund may amortize such Organizational Expenses, as applicable, for accounting purposes over a period of sixty (60) months from the date SJFI or the Master Fund, as applicable, commences operations, or such other period of time as determined by the Board, in consultation with Silvercrest, or the GP, as applicable. The Board, Silvercrest and the GP, believe that amortizing such Organizational Expenses, as applicable, is in conformance with industry standards and is more equitable than expensing the entire amount during the first year of operations, as is required by U.S. generally accepted accounting principles (“GAAP”). Accordingly, the auditor’s opinion on SJFI’s or the Master Fund’s, as applicable, financial statements may contain a qualification to reflect this treatment. In such instances, SJFI or the Master Fund, as applicable, may decide to: (i) avoid the qualification by recognizing the unamortized expenses; (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating SJFI’s Net Asset Value or the Master Fund’s net worth, as applicable; or (iii) allow the auditor’s opinion on SJFI’s or the Master Fund’s, as applicable, financial statements to contain such a qualification. There will be a divergence between SJFI’s Net Asset Value and the Net Asset Value reported in SJFI’s financial statements, or between the Master Fund’s net worth and the net worth reported in the Master Fund’s financial statements, as applicable, in any fiscal year where, pursuant to clause (ii), GAAP conforming changes are made only to SJFI’s or the Master Fund’s, as applicable, financial statements for financial reporting purposes.

If a Class A Shareholder redeems Class A Shares or a limited partner of the Master Fund makes a withdrawal or otherwise reduces its capital account, as applicable, prior to the end of the sixty (60) month period during which SJFI or the Master Fund, as applicable, may amortize expenses, SJFI or the Master Fund, as applicable, may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the value being redeemed or withdrawn, as

applicable, and reduce redemption or withdrawal proceeds, as applicable, by the amount of such accelerated expenses. In addition, in the event that SJFI or the Master Fund, as applicable, is wound up before such expenses are fully amortized, the unamortized portion of such expenses will be accelerated and debited against SJFI's or the Master Fund's, as applicable, assets at such time. Expenses specifically attributable to a single Shareholder, group of Shareholders or Class of Shares in SJFI, or single limited partner, group of limited partners or class of interests in the Master Fund, shall be charged solely to such Shareholder, group of Shareholders or Shares, or limited partner, group of limited partners or interests, as applicable. In addition, expenses relating specifically to a series of Class S Shares will be charged only to Shares of those Shareholders participating in such series of Class S Shares pro rata in accordance with their interests therein. The Board, in its sole and absolute discretion, may allocate ordinary and recurring expenses that are not materially increased by the existence of any series of Class S Shares or the corresponding Master Fund DI Account pro rata among the Shareholders and the corresponding Master Fund Sub-Capital Account(s), excluding their interest in any series of Class S Shares and any corresponding Master Fund DI Account. The Master Fund may use "soft dollars" generated through agency and certain riskless principal transactions to pay for certain products and services, to the extent such use falls within the safe harbor for the use of soft dollars provided under Section 28(e) of the Exchange Act. Underlying Fund Managers may utilize "soft dollars" that fall outside of this safe harbor.

Notwithstanding anything to the contrary herein, Silvercrest shall have the authority to alter or change the manner and method of calculating and/or paying SJFI's pro rata portion of the Master Fund's expenses solely for the purpose of ease of administration, including, without limitation, paying such expenses at the SJFI level rather than at the Master Fund level, provided that no such alteration or change in the method of calculation and charging shall in any way alter or affect the substantive rights of any Shareholder herein or investor in the Master Fund, including, without limitation, the economic provisions and voting rights described herein, or otherwise affect their rights as Shareholders or investors in the Master Fund, as applicable.

14. Bridge Builder Small/Mid Cap Value Fund (the "Bridge Builder Fund")

(a) The Management Fee

As the investment adviser to the Funds, Olive Street Investment Advisers LLC is paid an annual management fee based on the average daily net assets of the Bridge Builder Fund. Out of its fee, Olive Street pays Silvercrest. For its advisory services, Olive Street is entitled to receive its management fee from the Funds at an annual rate of 1.00% based on the average daily net assets.

(b) Expenses

ANNUAL BRIDGE BUILDER FUNDS OPERATING EXPENSES

(expenses that investors pay each year as a percentage of the value of their investment)

Management Fees (1).....	0.64%
Distribution and Service (12b-1) Fees .....	None
Other Expenses (2).....	0.17%
Acquired Fund Fees and Expenses.....	0.07%

Total Annual Fund Operating Expenses .....0.88%  
 Less Waivers.....(0.19)%  
 Net Annual Fund Operating Expenses.....0.69%

(1) Olive Street Investment Advisers, LLC (“Olive Street”) has contractually agreed, until at least October 28, 2016, to waive its management fees to the extent management fees to be paid to Olive Street exceed the management fees Olive Street is required to pay the Fund’s Sub-advisers. This contractual agreement may only be changed or eliminated with the approval of the Board of Trustees (the “Board”). Such waivers are not subject to reimbursement by the Fund.

(2) Other expenses and Acquired Fund Fees and Expenses are based on estimated amounts for the current fiscal year.

#### EXAMPLE

This example is intended to help investors compare the cost of investing in the Bridge Builder Fund with the cost of investing in other mutual funds. This example assumes that an investor invested \$10,000 in the Bridge Builder Fund over the time periods shown and the investor redeemed all of its shares at the end of those periods. The example also assumes that the average annual return for the investment was 5%, operating expenses remained the same (taking into account Olive Street’s agreement to waive management fees until October 28, 2016). Although actual costs may be higher or lower, based on the above assumptions, the investor’s costs would be:

<b>1 Year</b>	<b>3 Years</b>
<b><u>\$70</u></b>	<b><u>\$262</u></b>

#### Portfolio Turnover

The Bridge Builder Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the Example, affect the Fund’s performance. During the fiscal period from April 27, 2015 (commencement of Fund operations) to June 30, 2015, the Fund’s portfolio turnover rate was 8% (not annualized) of the average value of its portfolio.

### B. Additional Charges, Expenses and Commissions Paid By All Funds

#### 1. Advisory Fees

Those of the Funds that are funds of funds make investments in third party funds (“Sub-Funds”) that are themselves managed by fund managers (the “Sub-Fund Managers”) who charge their own fees. These include SHEF, SGOF, SIF, SMNF, SSSF, and SEMF (the “Funds of Funds”). Each of the Funds of Funds is responsible for its pro rata share of fees payable to the Sub-Fund Managers or, if the Fund of Funds invests through an intermediary entity or entities, fees to the investment advisors thereof (collectively, the “Advisory Fees”). The Advisory Fees will vary, but they will typically consist of a management (asset-based) fee and an incentive fee. Management fees typically range between 1% and 2% of a Sub-Fund’s net asset value per year and incentive fees typically range between 20% and 30% of the Sub-Fund’s net new profits.

Generally, incentive fees with respect to a specific Sub-Fund will be charged on a "high water mark" basis, so that trading losses will be carried forward and will be recouped before an incentive fee can be earned. Because incentive fees will be based on each Sub-Fund's performance, the Fund of Funds itself may in effect pay incentive fees during periods when it is not profitable on an overall basis (for example, if the losses of the unprofitable Sub-Funds together with the Fund of Fund's expenses exceed the profits of the profitable Sub-Funds).

## 2. Operating Expenses

Each Fund, solely out of its assets, pays all of its operating expenses. Operating Expenses include, but are not limited to, brokerage commissions and other charges for transactions in securities and other instruments, certain due diligence expenses relating to investments in Sub-Funds, insurance costs, administration fees and expenses, custody fees and expenses, legal, tax and accounting fees and expenses, audit fees, administrator fees, trustee fees, consulting and recording fees and expenses and servicing fees ("Operating Expenses"). The Fund also bears its own Management Fees and Performance Allocations (discussed in *Item 6 - Performance-Based Fees and Side-By-Side Management*) and all extraordinary expenses, including, without limitation, litigation fees and expenses.

Silvercrest is responsible for its expenses, including its general overhead, salaries, employee benefits and travel expenses of its employees and certain of its affiliates and will be reimbursed by each Fund, solely out of the applicable Fund's assets, for all non-investment advisory expenses (i.e. out-of-pocket expenses) it or certain of its affiliates incur on behalf of that Fund.

## 3. Sales Commission

Currently no Fund pays a sales commission in connection with the sale of units thereof. If, however, placement agents are retained by a Fund, Silvercrest may, in its sole discretion, pay such placement agents out of its own funds or directly charge investors directly.

## C. Additional Conflicts Created by Fees and Expenses of All of the Funds

Conflicts of interest exist in the structure and operation of each Fund's business, including conflicts resulting from their fee structures. Further discussion of the conflicts and risks associated with the Funds is set forth in *Item 6 - Performance-Based Fees and Side-By-Side Management*, *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*.

Funds with performance based fees are subject to a "layering" of asset-based and performance-based allocations, fees and expenses. They are directly subject to the management fees, the performance fees and expenses.

The Fund of Funds are also indirectly subject, through their investments with the underlying funds, to both asset-based and performance-based fees or allocations charged by them, as well as the ongoing expenses of those underlying managers. The asset-based fees of the underlying managers generally are expected to range from 1% to 3%, and the performance-based allocations or fees of the underlying funds generally are expected to range from 10% to 30% of net income or capital appreciation.

Such fees and expenses, in the aggregate, will exceed the fees and expenses that would typically be incurred by an investor making a direct investment in one of the underlying managers.

In addition, one or more of the Funds of Funds may, from time to time, enter into arrangements with underlying investment managers that provide for the investment manager to be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. Moreover, in certain infrequent cases, those investment managers may be paid a fee based on appreciation during the specific measuring period, without taking into account losses occurring in prior measuring periods, although Silvercrest anticipates that most, if not all, investment managers who charge such fees will take into account prior losses.

Finally, the fees which Silvercrest is entitled to receive as investment advisor have not been set by "arm's length" negotiations and may be higher than the fees which another investment advisor might charge. Silvercrest, however, believes such fees are justified in light of the structure of each Fund, the investment program and the investor base.



## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

### **I. Separately Managed Accounts**

Silvercrest generally does not charge performance-based fees to its client accounts.

If Silvercrest recommends that a client invest in a fund managed by a third party, then that client may pay performance fees to the third party manager. Depending on the manager, Silvercrest may receive, as compensation, a percentage of the total compensation, including those performance fees, paid by its clients to those third party managers. In that event, the compensation arrangement will be separately disclosed in writing to the investing client.

### **II. Fund Advisory Services**

#### **A. Fees Detailed by Fund**

Silvercrest acts as advisor to the Funds. Information regarding the management fees, charges and expenses for each of the Funds is set forth in *Item 5 - Fees and Compensation*, above. Below is a discussion, by Fund, of performance-based fees paid by the Funds.

##### **1. SHEF**

In connection with its role as advisor to SHEF, Silvercrest is entitled to compensation in the form of the SHEF Management Fee. A discussion of the SHEF Management Fee is set forth in *Item 5 - Fees and Compensation*.

##### **2. SEMF**

Silvercrest is entitled to compensation in the form of (the SEMF Management Fee. A discussion of the SEMF Management Fee is set forth in *Item 5 - Fees and Compensation*.

##### **3. Silvercrest Global Opportunities Fund (International), Ltd. (the “Offshore Fund”), and SGOFI, L.P. (the “Master Fund”)**

Silvercrest, either itself or through its affiliate, Silvercrest Investors LLC, (the “General Partner”) will receive the SGOFI Class A Management Fee and may receive a performance allocation (the “SGOFI Performance Fee), when applicable. Discussions of the SGOFI Class A Management Fee are set forth in *Item 5 - Fees and Compensation*. A discussion of the SGOFI Performance Fee is set forth below.

#### **SGOFI Performance Fee**

Depending on the performance the Offshore Fund, and the Master Fund), Silvercrest can also collect a performance fee as investment manager. The mechanics of calculating and collecting that performance fee are as follows.

The Master Fund will establish and maintain a separate capital account for the Offshore Fund. In addition, the Master Fund will establish and maintain a separate sub-capital account (each, a "SGOFI Master Fund Sub-Capital Account") corresponding to each series of shares of the Offshore Fund. Subject to the SGOFI Loss Carryover, discussed below, as of the end of each fiscal year, increases in the Master Fund's net worth allocated during such fiscal year to each SGOFI Master Fund Sub-Capital Account corresponding to one or more series of Class A Shares will be reallocated so that the General Partner shall receive an allocation (an "SGOFI Class A Performance Allocation") equal to 10% of the aggregate increases in the Master Fund's net worth allocated to such SGOFI Master Fund Sub-Capital Account, provided that such reallocation shall not reduce such SGOFI Master Fund Sub-Capital Account's final allocation of increases in the Master Fund's net worth for such fiscal year below the Preferred Return (as defined below) for such fiscal year. No Class A Performance Allocation shall be paid with respect to a Master Fund DI Account (as defined in the discussion of the SGOFI Class A Management Fee in *Item 5*, above) until a Realization Event (as defined in the discussion of the SGOFI Class A Management Fee in *Item 5*, above) occurs with respect to such Master Fund DI Account.

If there is a reduction of an SGOFI Master Fund Sub-Capital Account as a result of a corresponding redemption of Class A Shares prior to the end of a fiscal year, the General Partner shall receive a SGOFI Class A Performance Allocation with respect to the increase in the Master Fund's net worth allocated to such SGOFI Master Fund Sub-Capital Account in such fiscal year, subject to the Loss Carryover and the Preferred Return.

The "Preferred Return" means, with respect to any SGOFI Master Fund Sub-Capital Account for any fiscal year, the amount that such SGOFI Master Fund Sub-Capital Account would have earned during such fiscal year if it had achieved a non-compounded, non-cumulative rate of return of 10% per annum (such rate to be prorated for shorter periods if the SGOFI Master Fund Sub-Account is created, or a reduction is made thereto, other than as of the first business day or the last business day of a fiscal year). For the avoidance of doubt, the Preferred Return will not be aggregated from year to year.

A separate SGOFI Class A Performance Allocation will be calculated with respect to all funds permitted to be invested by a Class A Shareholder in the Offshore Fund during a fiscal year (other than as of the first business day of such fiscal year) and with respect to all funds permitted to be redeemed by a Class A Shareholder from the Offshore Fund during a fiscal year (other than as of the last business day of such fiscal year).

The SGOFI Class A Performance Allocation shall be in addition to the allocations to the General Partner based upon its capital account proportionate to the aggregate amount of the capital accounts of the Master Fund.

For the avoidance of doubt, the General Partner may waive, reduce or rebate any performance allocation attributable to any Class or series of Shares held by or on behalf of any Shareholder and/or any interests in the Master Fund held by or on behalf of any party, including, without limitation, any employee, agent or affiliate of Silvercrest, or the General Partner. The General Partner, in its sole and absolute discretion, may also pay a portion of the Class A Performance Allocation to certain Shareholders, Master Fund partners and/or other third parties.

The Class A Shareholders will not be subject to a performance fee at the Offshore Fund level.

In any fiscal year during which a SGOFI Master Fund Sub-Capital Account is allocated a decrease in the Master Fund's net worth, the amount of such decrease shall be allocated to an account at the Master Fund (such allocation of decreases is referred to as the "Loss Carryover"). The Loss Carryover attributable to each SGOFI Master Fund Sub-Capital Account shall be (i) aggregated from fiscal year to fiscal year, and (ii) reduced (but not below zero) in subsequent fiscal year(s) by any increases in the Master Fund's net worth allocated to such SGOFI Master Fund Sub-Capital Account.

In any fiscal year during which a SGOFI Master Fund Sub-Capital Account corresponding to one or more series of Class A Shares is subject to a Loss Carryover, the General Partner will not receive a SGOFI Class A Performance Allocation with respect to such SGOFI Master Fund Sub-Capital Account. A SGOFI Class A Performance Allocation (subject to the Preferred Return for such year) with respect to such SGOFI Master Fund Sub-Capital Account will not be due for a subsequent year until increases in the SGOFI Master Fund's net worth allocated to such SGOFI Master Fund Sub-Capital Account have reduced such SGOFI Master Fund Sub-Capital Account's Loss Carryover to zero.

If at any time during which a SGOFI Master Fund Sub-Capital Account is subject to a Loss Carryover, there is a redemption of related Class A Shares by a Class A Shareholder, the amount of such Loss Carryover shall be reduced by a percentage equal to 100% multiplied by a fraction, the numerator of which is the value of the Class A Shares to be redeemed by such Class A Shareholder and the denominator of which is the value of the Class A Shares of the applicable series held by such Class A Shareholder immediately prior to the redemption.

When a Master Fund DI Account is created, any net capital appreciation or net capital depreciation in the SGOFI Master Fund Sub-Capital Account(s) to participate in such Master Fund DI Account will be taken into account in determining the Class A Performance Allocation with respect to the relevant SGOFI Master Fund Sub-Capital Account(s) and whether there is an addition to each related Loss Carryover. The initial value of such SGOFI Master Fund DI Account shall be the value of the related DI Account, as reported by the applicable Underlying Fund manager. The Loss Carryover attributable to each relevant SGOFI Master Fund Sub-Capital Account will be proportionately reduced by the amount allocated from such SGOFI Master Fund Sub-Capital Account to such Master Fund DI Account. Upon the occurrence of a Realization Event, such reduction in the Loss Carryover (if any) shall be reversed (and will increase the Loss Carryover, if any) and any appreciation or depreciation in such Master Fund DI Account will be allocated to the corresponding SGOFI Master Fund Sub-Capital Account(s) and taken into account in computing net capital appreciation or depreciation. In the event of a Realization Event solely with respect to a portion of a Master Fund DI Account, the Loss Carryover reduction on the allocation to the Master Fund DI Account will be reversed proportionately with the portion of such Master Fund DI Account that is realized.

After a Class A Shareholder has redeemed all of its Class A Shares and retains only Class S Shares of one or more series, in the event of a Realization Event with respect to any Master Fund DI Account, any net capital appreciation and net capital depreciation resulting therefrom will be allocated to such Class A Shareholder's relevant corresponding SGOFI Master Fund Sub-Capital Account(s) and paid out in redemption of the relevant series of such Class S Shares. The Loss Carryover attributable to each such SGOFI Master Fund Sub-Capital Account will be reduced as a result of such withdrawal. Until the Realization Event with respect to such Master Fund DI Account has occurred, the Loss Carryover attributable to such SGOFI Master Fund Sub-Capital

Account will be zero. Upon such Realization Event, the Loss Carryover attributable to such SGOFI Master Fund Sub-Capital Account will be increased by a reversal of the original reduction thereof on the participation by such SGOFI Master Fund Sub-Capital Account in the relevant Master Fund DI Account and the General Partner will receive no SGOFI Class A Performance Allocation with respect to such SGOFI Master Fund Sub-Capital Account until the newly increased Loss Carryover is recovered in full. In such a case, the SGOFI Class A Performance Allocation will therefore be calculated based on the net capital appreciation (or relevant portion thereof) on the Master Fund DI Account in excess of the amounts used to recover the Loss Carryover. Thus, reversed amounts from the Loss Carryover and realized losses on a Master Fund DI Account from a Realization Event will not offset unrealized gains on other Master Fund DI Accounts.

#### 4. Muni Funds' Performance Fee

In connection with its management of the Muni Funds, including Silvercrest Municipal Advantage Portfolio A, LLC, Silvercrest Municipal Advantage Portfolio P, LLC, Silvercrest Municipal Advantage Portfolio S, LLC, and the Silvercrest Municipal Advantage Master Fund, LLC, Silvercrest is entitled to compensation in the form of the SMAPA Management Fee, the SMAPP Management Fee, and the SMAPS Management Fee. It is also entitled to compensation in the form of the SMAPS Performance Fee, when applicable. A discussion of the SMAPA Management Fee, the SMAPP Management Fee, and the SMAPS Management Fee is set forth in *Item 5 - Fees and Compensation*. A discussion of the SMAPS Performance Fee is set forth below.

Silvercrest Investors LLC, an affiliate of Silvercrest, as the special member of the Fund (the "Special Member"), will receive the SMAPS Performance Fee. Immediately after any allocation of net profit or net loss to the members, as of the last business day of a calendar year, upon any interim full or partial withdrawal of capital by a member, upon any distribution of capital to a member and upon liquidation of SMAPS, there will be reallocated to the capital account of the Special Member and debited from the capital accounts of the other members (other than Silvercrest) an amount equal to the SMAPS Performance Fee, if any, applicable to such members. The SMAPS Performance Fee will be an amount equal to ten percent (10%) of the amount, if any, by which (i) the net profit, if any, allocable to a member's capital account since the later of commencement of SMAPS's operations or the last date as of which a SMAPS Performance Fee was made with respect to such member's capital account (after payment of the SMAPS Management Fee but before the SMAPS Performance Fee) exceeds (ii) the positive balance, if any, in such member's SMAPS Loss Carryforward Account (as defined below), provided, however, that net profit for such calendar year (or such shorter period) exceeds a non-cumulative threshold return (or hurdle rate) of 5% per annum. The SMAPS Performance Fee will be calculated separately for each member.

For purposes of calculating the SMAPS Performance Fee for each member, SMAPS will establish for each member a memorandum account which will be designated an "SMAPS Loss Carryforward Account." Each SMAPS Loss Carryforward Account will have an initial balance of zero and will be adjusted as follows: as of the last day of each fiscal period (as defined herein) the balance of such member's SMAPS Performance Fee Loss Carryforward Account will be increased by an amount equal to the net loss, if any, allocated to such member's

capital account with respect to such period and will be decreased (but not below zero) by an amount equal to the net profit, if any, initially allocated to such member's capital account with respect to such period. The SMAPS Loss Carryforward Account of any member making a partial withdrawal or receiving a distribution from its capital account will be further adjusted as of the date such withdrawal or distribution is effective by decreasing any positive balance of such SMAPS Loss Carryforward Account (but not below zero) by an amount determined by multiplying (i) such positive balance by (ii) a fraction, of which the numerator is equal to the amount withdrawn or distributed and the denominator is equal to the balance of such member's capital account immediately before giving effect to such withdrawal or distribution.

The Special Member may, in its sole discretion, waive or reduce its SMAPS Performance Fee as to any member, and may otherwise vary the terms of the SMAPS Performance Fee as to a member by agreement with such member. The SMAPS Performance Fee is expected to be waived with respect to subscriptions by certain employees and/or affiliates of Silvercrest.

## 5. SMNF

Silvercrest is entitled to compensation in the form of the SMNF Management Fee and the SMNF Performance Fee, when applicable. A discussion of the SMNF Management Fee is set forth in *Item 5 - Fees and Compensation*. A discussion of the SMNF Performance Fee is set forth below.

Silvercrest or an affiliate of Silvercrest will receive the SMNF Performance Fee. Immediately after any allocation of net profit or net loss to the unit holders, as of the last business day of each calendar quarter, upon any interim full or partial redemption of capital by a unit holder, and upon liquidation of SMNF, there will be reallocated to the capital account of Silvercrest and debited from the capital accounts of the other unit holders an amount equal to the SMNF Performance Fee, if any, applicable to such unit holders.

The SMNF Performance Fee will be an amount equal to 10% of the amount, if any, by which (A) the net profit, if any, allocable to a unit holder's capital account since the later of the commencement of SMNF's operations or the last date as of which the SMNF Performance Fee was made with respect to such unit holder's capital account (after payment of the SMNF Management Fee but before the SMNF Performance Fee) exceeds (B) the positive balance, if any, in such unit holder's SMNF Loss Carryforward Account (as defined herein), and shall be calculated separately for each unit holder. Silvercrest will pay a portion of the Performance Allocation to any sub-advisor.

For purposes of calculating the SMNF Performance Fee for each unit holder, SMNF will establish for each unit holder a memorandum account which will be designated a "SMNF Loss Carryforward Account." Each SMNF Loss Carryforward Account will have an initial balance of zero and will be adjusted as follows: as of the last day of each fiscal period the balance of such unit holder's SMNF Loss Carryforward Account will be increased by an amount equal to the net loss, if any, allocated to such unit holder's capital account with respect to such fiscal period (as defined herein), and will be decreased by an amount equal to the net profit, if any, allocated (i.e., prior to the SMNF Performance Fee) to such unit holder's capital account with respect to such fiscal period; provided, however, that any negative balance in a unit holder's capital account will

be eliminated as of the end of each fiscal year. The SMNF Loss Carryforward Account of any unit holder making a partial redemption from its Capital Account will be further adjusted as of the date such redemption is effective by decreasing any positive balance of such SMNF Loss Carryforward Account (but not below zero) by an amount determined by multiplying (i) such positive balance by (ii) a fraction, of which the numerator is equal to the amount redeemed and the denominator is equal to the balance of such Unit holder's capital account immediately before giving effect to such redemption.

Silvercrest may, in its sole discretion, waive or reduce the SMNF Performance Fee as to any unit holder, and may otherwise vary the terms of the SMNF Performance Fee as to a unit holder by agreement with such unit holder.

At this time, Silvercrest is not charging the SMNF Performance Fee.

6. Silvercrest Special Situations Fund LP Silvercrest Commodity Strategies Fund LP, and Silvercrest International Fund, L.P.

In connection with serving as investment manager of Silvercrest Special Situations Fund LP Silvercrest Commodity Strategies Fund LP, and Silvercrest International Fund, L.P., Silvercrest is entitled to compensation in the form of the SSSF Management Fee, the Basic SIF Fee, the SCF Management Fee and the SCF Performance Fee, when applicable. Discussion of the SSSF Management Fee, the Basic SIF Fee, and the SCF Management Fee is set forth in *Item 5 - Fees and Compensation*. A discussion of the SCF Performance Fee is set forth below.

Silvercrest Investors II LLC, an affiliate of Silvercrest, as the general partner of the Fund (the "SCF GP"), will receive the SCF Performance Fee. Immediately after any allocation of net profit or net loss to the limited partners of SCF (the "SCF Limited Partners") as of the last day of each calendar year, upon any interim full or partial redemption of interests by an SCF Limited Partner, and upon liquidation of SCF, there is reallocated to the capital account of SCF GP and debited from the capital accounts of the SCF Limited Partners an amount equal to the SCF Performance Fee, if any, applicable to such SCF Limited Partners. The SCF Performance Fee is an amount equal to ten percent (10%) of the amount, if any, by which (i) the net profit, if any, allocable to an SCF Limited Partner's capital account since the later of commencement of SCF's operations or the last date as of which an SCF Performance Fee was made with respect to such SCF Limited Partner's capital account (after payment of the SCF Management Fee but before the SCF Performance Fee) exceeds (ii) the positive balance, if any, in such SCF Limited Partner's SCF Loss Carryforward Account (as defined below), and is calculated separately for each SCF Limited Partner.

For purposes of calculating the SCF Performance Fee for each SCF Limited Partner, SCF establishes for each SCF Limited Partner a memorandum account that will be designated an "SCF Loss Carryforward Account". Each SCF Loss Carryforward Account has an initial balance of zero and is adjusted as follows: as of the last day of each fiscal period, the balance of such SCF Limited Partner's SCF Loss Carryforward Account is increased by an amount equal to the net loss, if any, allocated to such SCF Limited Partner's capital account with respect to such fiscal period and is decreased (but not below zero) by an amount equal to the net profit, if any, initially (i.e., including for such period for which the SCF Performance Fee is being determined

and without taking into account the SCF Performance Fee) allocated to such SCF Limited Partner's capital account with respect to such fiscal period. The SCF Loss Carryforward Account of any SCF Limited Partner making a partial redemption from its capital account is further adjusted as of the date such redemption is effective by decreasing any positive balance of such SCF Loss Carryforward Account (but not below zero) by an amount determined by multiplying (i) such positive balance by (ii) a fraction, of which the numerator is equal to the amount withdrawn and the denominator is equal to the balance of such SCF Limited Partner's capital account immediately before giving effect to such redemption.

**SCF GP may, in its sole discretion, waive or reduce the SCF Performance Fee as to any SCF Limited Partner, and may otherwise vary the terms of the SCF Performance Fee as to an SCF Limited Partner by agreement with such SCF Limited Partner.**

7. SJF

Silvercrest is entitled to compensation in the form of the SJF Class A Management Fee and the SJF Class A Performance Allocation, when applicable. A discussion of the SJF Class A Management Fee is set forth in *Item 5 - Fees and Compensation*. A discussion of the SJF Class A Performance Allocation is set forth below.

Subject to the Loss Carryover (as defined below), as of the end of each fiscal year, increases in the net worth of SJF allocated during such fiscal year to a capital account attributable to a Class A Limited Partner will be reallocated so that the General Partner of SJF, Silvercrest Investors III LLC (the "GP"), shall receive an allocation (the "SJF Class A Performance Allocation") equal to ten percent (10%) of the aggregate increases in the net worth allocated to such capital account. No SJF Class A Performance Allocation shall be paid with respect to a DI Account until a Realization Event occurs with respect to such DI Account. If there is a reduction of a capital account as a result of a withdrawal prior to the end of a fiscal year, the GP shall receive a SJF Class A Performance Allocation with respect to the increase in net worth allocated to such capital account in such fiscal year, subject to the Loss Carryover.

A separate SJF Class A Performance Allocation will be calculated with respect to all funds permitted to be invested by a Class A Limited Partner in the Partnership during a fiscal year (other than as of the first business day of such fiscal year) and with respect to all funds permitted to be withdrawn by a Class A Limited Partner from SJF during a fiscal year (other than as of the last business day of such fiscal year). For the avoidance of doubt, the SJF Class A Performance Allocation shall be in addition to the allocations to the GP based upon its capital account proportionate to the aggregate amount of the capital accounts of the Partnership. The GP may waive, reduce or rebate any performance allocation attributable to any limited partner, including, without limitation, any employee, agent or affiliate of Silvercrest and/or the GP. The GP, in its sole and absolute discretion, may also pay a portion of the SJF Class A Performance Allocation to certain limited partners, affiliates and/or other third parties.

The GP shall have the authority to alter or change the manner and method of calculating and/or making the performance allocation solely for the purpose of ease of administration, including, without limitation, in the event that SJF is restructured as a feeder fund in a master-feeder structure, charging such allocation at the master fund level rather than the feeder fund level,

provided that no such alteration or change in the method of calculation and/or payment, as applicable, shall in any way alter or affect the substantive rights of any limited partner, including, without limitation, the economic provisions and voting rights described herein, or otherwise affect their rights as limited partners.

In any fiscal year during which a capital account attributable to a Class A Limited Partner is allocated a decrease in net worth, the amount of such decrease shall be allocated to an account at SJF. Such allocation of decreases is called the “Loss Carryover”. The Loss Carryover attributable to each capital account shall be (i) aggregated from fiscal year to fiscal year, and (ii) reduced (but not below zero) in subsequent fiscal year(s) by any increases in net worth allocated to such capital account. In any fiscal year during which a capital account is subject to a Loss Carryover, the GP shall not receive a SJF Class A Performance Allocation with respect to such capital account. A Class A Performance Allocation with respect to such capital account shall not be due for a subsequent year until increases in net worth allocated to such capital account have reduced such capital account’s Loss Carryover to zero. If at any time during which a capital account is subject to a Loss Carryover, there is a withdrawal by a Class A Limited Partner, the amount of such Loss Carryover shall be reduced by a percentage equal to one hundred (100) multiplied by a fraction, the numerator of which is the value of the amount to be withdrawn by such Class A Limited Partner and the denominator of which is the aggregate value of such Class A Limited Partner’s capital account immediately prior to the withdrawal.

SJF may invest a portion of its assets in the interests of an Underlying Fund (including, without limitation, a private equity fund, real estate fund or venture capital fund) that Silvercrest determines is difficult to value and/or not readily marketable, or should be held until the resolution of a special event or circumstance, including, without limitation, interests in an Underlying Fund attributable to investments held by the Underlying Fund that the applicable Underlying Fund manager has placed in a separate special account of the Underlying Fund (each, a “Designated Investment”). Silvercrest may elect to place such Designated Investment in a separate special account of the Partnership. That separate special account is called a “DI Account.” When a DI Account is created in connection with a Designated Investment or a follow-up investment, any net capital appreciation or net capital depreciation allocated to capital account(s) corresponding to the DI Account will generally be taken into account in determining the SJF Class A Performance Allocation with respect to the relevant capital account(s) and whether there is an addition to each related Loss Carryover. In the case of a Designated Investment or follow-up investment that is allocated to a separate DI Account, the initial value of such DI Account shall be the value of such Designated Investment or follow-up investment, as applicable, as determined by Silvercrest. In the case of a follow-up investment that is allocated to an existing DI Account, the initial value allocated to such DI Account in connection with such follow-up investment shall be the value of such follow-up investment, as determined by Silvercrest. The Loss Carryover attributable to each relevant capital account from which such DI Account is created, if any, will be proportionately reduced by the amount allocated from such capital account to such DI Account. Upon the occurrence of a Realization Event, such reduction in the Loss Carryover (if any) shall be reversed (and will increase the Loss Carryover, if any) and any net capital appreciation or net capital depreciation in such DI Account will be allocated to the corresponding capital account(s) and taken into account in computing net capital appreciation or depreciation (or, in the event of a Realization Event with respect to a portion of such DI



Account, the Loss Carryover reduction on the allocation to the DI Account will be reversed proportionately with the portion of such DI Account that is realized).

A “Realization Event” occurs when: (i) the Designated Investment and/or related follow-up investment(s) (if any) become liquid (including, without limitation, when there is a public offering of the securities constituting the Designated Investment and/or related follow-up investment(s) (if any) that provides a reasonable value); (ii) the Designated Investment and/or related follow-up investment(s) (if any) are liquidated, sold or otherwise disposed of by SJF; or (iii) circumstances otherwise exist that, in the judgment of Silvercrest, conclusively establish a value for the Designated Investment and/or related follow-up investment (s) (if any) other than fair value or cost (including, without limitation, when additional securities substantially similar to the Designated Investment and/or related follow-up investment (s) (if any) have been issued by the issuer of such Designated Investment and/or related follow-up investment (s) (if any)).

If, after giving effect to a withdrawal, a withdrawing Class A Limited Partner’s remaining balance in such Class A Limited Partner’s capital account is attributable to an interest in one or more DI Accounts but would otherwise have withdrawn from SJF the full value of such Class A Limited Partner’s Class A interest, upon the occurrence of a Realization Event with respect to any such DI Account, any net capital appreciation and net capital depreciation resulting therefrom will be allocated to such Class A Limited Partner’s relevant corresponding capital account and paid out in withdrawal of such DI Account (after the payment of fees, expenses and allocations, which are also detailed herein). The Loss Carryover attributable to each Class A Limited Partner’s relevant corresponding capital account will be reduced as a result of such withdrawal. However, until a Realization Event with respect to such DI Account has occurred, the Loss Carryover attributable to such capital account will be zero. Upon such Realization Event, the Loss Carryover attributable to such capital account will be increased by a corresponding reversal of the original reduction thereof on the participation by such capital account in the relevant DI Account and the GP will receive no SJF Class A Performance Allocation with respect to such capital account until the newly increased Loss Carryover is recovered in full. In such a case, the SJF Class A Performance Allocation therefore, will be calculated based on the net capital appreciation (or relevant portion thereof) on each DI Account in excess of the amounts used to recover the Loss Carryover allocated to such DI Account. Thus, reversed amounts from the Loss Carryover and realized losses on a DI Account from a Realization Event will not offset unrealized gains in other DI Accounts.

## 8. SJFI

As compensation for performing investment management services for SJFI, Silvercrest is paid the Class A Management Fee. Depending on the performance of Silvercrest Jefferson Master Fund, L.P. (the “Master Fund”), Silvercrest can also collect a performance fee as investment manager. A discussion of the SJF Class A Management Fee is set forth in *Item 5 - Fees and Compensation*. A discussion of the SJF Class A Performance Allocation is set forth below.

The Master Fund will establish and maintain a separate capital account for Silvercrest Jefferson Fund, LTD (“SJFI”). In addition, the Master Fund will establish and maintain a separate sub-capital account (each, a “Master Fund Sub-Capital Account”) corresponding to each series of Shares of the Company. Subject to the Loss Carryover (as defined below), as of the end of each

fiscal year, increases in the Master Fund's net worth allocated during such fiscal year to each Master Fund Sub-Capital Account corresponding to one or more series of Class A Shares will be reallocated so that Silvercrest Investors III, the General Partner of the Master Fund (the "GP") shall receive an allocation (a "Class A Performance Allocation") equal to ten percent (10%) of the aggregate increases in the Master Fund's net worth allocated to such Master Fund Sub-Capital Account(s). SJFI may invest a portion of its assets in the interests of an underlying fund (including, without limitation, a private equity fund, real estate fund or venture capital fund) that Silvercrest determines is difficult to value and/or not readily marketable, or should be held until the resolution of a special event or circumstance, including, without limitation, interests in an underlying fund attributable to investments held by the underlying fund that the applicable underlying fund manager has placed in a separate special account of the underlying fund (each, a "Designated Investment"). Silvercrest may elect to place such Designated Investment in a separate special account of the Partnership (each, a "Master Fund DI Account"). No Class A Performance Allocation shall be paid with respect to a Master Fund DI Account until a Realization Event (as defined below) occurs with respect to such Master Fund DI Account. If there is a reduction of a Master Fund Sub-Capital Account as a result of a corresponding redemption of Class A Shares prior to the end of a fiscal year, the GP shall receive a Class A Performance Allocation with respect to the increase in the Master Fund's net worth allocated to such Master Fund Sub-Capital Account in such fiscal year, subject to the Loss Carryover (as defined below). Class A Performance Allocations will be calculated with respect to all funds permitted to be invested by a Class A Shareholder in SJFI during a fiscal year (other than as of the first business day of such fiscal year) and with respect to all funds permitted to be redeemed by a Class A Shareholder from SJFI during a fiscal year (other than as of the last business day of such fiscal year).

The Class A Performance Allocation shall be in addition to the allocations to the GP based upon its capital account proportionate to the aggregate amount of the capital accounts of the Master Fund. For the avoidance of doubt, the GP may waive, reduce or rebate any performance allocation attributable to any Class or series of Shares held by or on behalf of any Shareholder and/or any interests in the Master Fund held by or on behalf of any party, including, without limitation, any employee, agent or affiliate of Silvercrest and/or the GP. The GP, in its sole and absolute discretion, may also pay a portion of the Class A Performance Allocation to certain Shareholders, Master Fund partners, affiliates and/or other third parties. The GP shall have the authority to alter or change the manner and method of calculating and/or making performance allocations solely for the purpose of ease of administration, including, without limitation, paying performance fees at the SJFI level rather than allocating performance allocations at the Master Fund level, provided that no such alteration or change in the method of calculation and/or payment, as applicable, shall in any way alter or affect the substantive rights of any Shareholder or any limited partner in the Master Fund, including, without limitation, the economic provisions and voting rights described herein, or otherwise affect their rights as Shareholders or limited partners in the Master Fund. Without limiting the foregoing, the Class A Shares, with respect to the fiscal year 2014, were subject to a performance fee, payable to Silvercrest by SJFI, in lieu of a Class A Performance Allocation at the Master Fund level, subject to the terms and conditions herein, mutatis mutandis. Thereafter, commencing with fiscal year 2015, the GP shall receive a Class A Performance Allocation (subject to, for the avoidance of doubt, the Loss Carryover, including, without limitation, any Loss Carryover in respect of fiscal year 2014) at the Master

Fund level as described above (subject to the GP's authority to alter or change the same pursuant to the first sentence of this paragraph).

In any fiscal year during which a Master Fund Sub-Capital Account(s) is allocated a decrease in net worth, the amount of such decrease shall be allocated to an account at the Master Fund (such allocation of decreases, the "Loss Carryover"). The Loss Carryover attributable to each Master Fund Sub-Capital Account(s) shall be (i) aggregated from fiscal year to fiscal year, and (ii) reduced (but not below zero) in subsequent fiscal year(s) by any increases in the Master Fund's net worth allocated to such Master Fund Sub-Capital Account(s).

In any fiscal year during which a Master Fund Sub-Capital Account(s) corresponding to one or more series of Class A Shares is subject to a Loss Carryover, the General Partner will not receive a Class A Performance Allocation with respect to such Master Fund Sub-Capital Account. A Class A Performance Allocation with respect to such Master Fund Sub-Capital Account will not be due for a subsequent year until increases in the Master Fund's net worth allocated to such Master Fund Sub-Capital Account(s) have reduced such Master Fund Sub-Capital Account's Loss Carryover to zero. If at any time during which a Master Fund Sub-Capital Account(s) is subject to a Loss Carryover, there is a redemption of related Class A Shares by a Class A Shareholder, the amount of such Loss Carryover shall be reduced by a percentage equal to one hundred multiplied by a fraction, the numerator of which is the value of the Class A Shares to be redeemed by such Class A Shareholder and the denominator of which is the value of the Class A Shares of the applicable series held by such Class A Shareholder immediately prior to the redemption. When a Master Fund DI Account is created in connection with a Designated Investment or a Follow-Up Investment (as defined below), any net capital appreciation or net capital depreciation allocated to the Master Fund Sub-Capital Account(s) corresponding to the Master Fund DI Account will generally be taken into account in determining the Class A Performance Allocation with respect to the relevant Master Fund Sub-Capital Account(s) and whether there is an addition to each related Loss Carryover. In the case of a Designated Investment or Follow-Up Investment that is allocated to a separate Master Fund DI Account, the initial value of such Master Fund DI Account shall be the value of such Designated Investment or Follow-Up Investment, as applicable, as determined by Silvercrest. In the case of a Follow-Up Investment that is allocated to an existing Master Fund DI Account, the initial value allocated to such Master Fund DI Account in connection with such Follow-Up Investment shall be the value of such Follow-Up Investment, as determined by Silvercrest. The Loss Carryover attributable to each relevant Master Fund Sub-Capital Account from which the Master Fund DI Account is created, if any, will be proportionately reduced by the amount allocated from such Master Fund Sub-Capital Account to such Master Fund DI Account. Upon the occurrence of a Realization Event, such reduction in the Loss Carryover (if any) shall be reversed (and will increase the Loss Carryover, if any) and any net capital appreciation or net capital depreciation in such Master Fund DI Account will be allocated to the corresponding Master Fund Sub-Capital Account(s) and taken into account in computing net capital appreciation or depreciation (or, in the event of a Realization Event with respect to a portion of such Master Fund DI Account, the Loss Carryover reduction on the allocation to the Master Fund DI Account will be reversed proportionately with the portion of such Master Fund DI Account that is realized). If, after giving effect to a redemption, a Class A Shareholder has redeemed all of its Class A Shares and retains only Class S Shares of one or more series, upon the occurrence of a Realization Event with respect to any

Master Fund DI Account, any net capital appreciation and net capital depreciation resulting therefrom will be allocated to such Class A Shareholder's relevant corresponding Master Fund Sub-Capital Account(s) and paid out in redemption of the relevant series of Class S Shares attributable to such Master Fund DI Account (after the payment of fees, expenses and allocations as described in *Item 5 - Fees and Compensation*, Section IV Fund Advisory Services, A. Fees by Fund for SJFI under "Expenses"). The Loss Carryover attributable to each such Class A Shareholder's corresponding Master Fund Sub-Capital Account(s) will be reduced as a result of such redemption. However, until a Realization Event with respect to such Master Fund DI Account has occurred, the Loss Carryover attributable to such Master Fund Sub-Capital Account will be zero. Upon such Realization Event, the Loss Carryover attributable to such Master Fund Sub-Capital Account will be increased by a corresponding reversal of the original reduction thereof on the participation by such Master Fund Sub-Capital Account in the relevant Master Fund DI Account and the GP will receive no Class A Performance Allocation with respect to such Master Fund Sub-Capital Account until the newly increased Loss Carryover is recovered in full. In such a case, the Class A Performance Allocation will therefore be calculated based on the net capital appreciation (or relevant portion thereof) on each Master Fund DI Account in excess of the amounts used to recover the Loss Carryover allocated to such Master Fund DI Account. Thus, reversed amounts from the Loss Carryover and realized losses on a Master Fund DI Account from a Realization Event will not offset unrealized gains in other Master Fund DI Accounts.

9. ASTON/Silvercrest Small Cap Funds (the "Aston Funds")

As the investment adviser to the Funds, Aston Asset Management, LP is paid an annual management fee based on the average daily net assets of the Aston Funds. Out of its fee, Aston pays Silvercrest. For its advisory services, Aston is entitled to receive its management fee from the Fund at an annual rate of 1.00% based on the average daily net assets. A discussion of that management fee is set forth in *Item 5 - Fees and Compensation*.

10. Bridge Builder Small/Mid Cap Value Fund (the "Bridge Builder Fund")

As the investment adviser to the Bridge Builder Fund, Olive Street Investment Advisers, LLC is paid an annual management fee based on the average daily net assets of the Bridge Builder Fund. Out of its fee, Olive Street pays Silvercrest. For its advisory services, Olive Street is entitled to receive its management fee from the Fund at an annual rate of 1.00% based on the average daily net assets. A discussion of that management fee is set forth in *Item 5 - Fees and Compensation*.

B. Potential for Conflict of Interest Associated with Performance Fees

The fact that Silvercrest may be compensated based on performance may create an incentive for Silvercrest to make investments on behalf of the Fund(s) that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance fees are based on realized and unrealized gains and losses of the fund(s). As a result, the performance fee could be made in respect of unrealized gains that may never be realized.

Private equity or hedge funds other than the Funds may charge performance and asset-based fees similar to or greater than the fees charged by the Funds. When the Funds (with the exception of the Silvercrest Special Opportunities Funds) invest in other non-affiliated funds, the investor will be subject to the fees from both the Fund and the underlying fund(s). In charging a performance based fee Silvercrest will adhere to all requirements of the Investment Advisers Act of 1940, as amended, including the requirements of Rule 205-3 thereunder, which permits such fee arrangements only with respect to "qualified clients". Employees of Silvercrest who invest in a Fund will be subject to a reduced or waived fee.

Conflicts of interest exist in the structure and operation of each Fund's business. The fees which Silvercrest is entitled to receive as investment advisor have not been set by "arm's length" negotiations and may be higher than the fees which another investment advisor might charge. Silvercrest, however, believes such fees are justified in light of the structure of each Fund, the investment program and the investor base.

Further discussion of conflicts and risks associated with the Funds is set forth in *Item 5 - Fees and Compensation*, and *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*.

## **ITEM 7 – TYPES OF CLIENTS**

We provide our services to variety of Clients, including:

- High net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Institutions, including Taft-Hartley plans, governmental plans, municipalities, and their pension plans
- Not-for-profit entities
- Limited Partnerships and other private investment funds
- Registered Investment Companies

Silvercrest generally prefers that a client invest a minimum of \$5 million to open a separately managed account. However, accounts of less than these amounts may be accepted if they are part of a larger relationship, related to one of the employees of the firm, or under other circumstances. In addition to investment services, Silvercrest provides tax, accounting and financial planning services for those clients requiring such services.

Silvercrest also provides investment advisory and sub-advisory services to the Funds.

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

### I. Separately Managed Accounts

Clients' separately managed accounts are generally managed on a fully discretionary basis. Silvercrest's portfolio managers apply specific objectives and guidelines for each client portfolio which they are responsible for managing. Our clients' range of investment options is unlimited, including Silvercrest's own equity and fixed-income management, the Funds, and third party investment managers.

Silvercrest's own equity and fixed income managers have developed several equity and fixed income strategies. Those strategies are discussed below.

#### A. Equity Management

##### 1. Methods of Analysis and Investment Strategies

Silvercrest's proprietary equity management team is responsible for large-cap, small-cap, multi-cap, equity-income, SMID cap, focused value, and liquid hedge portfolios, and it employs a disciplined, value-oriented security selection methodology in its stock picking.

Our proprietary equity portfolios are designed to seek compound annual returns with below-market levels of risk. Because we take a conservative and long-term approach, our portfolio turnover is low. We favor financially transparent and understandable companies run by proven management teams with substantial equity stakes and which sell at attractive valuations.

The firm's equity investment strategies are as follows:

**Silvercrest Large Cap Equity** is an actively managed, value-oriented investment strategy which focuses on companies with market capitalizations in excess of \$2 billion. The investment manager employs a bottom-up approach to security selection and seeks companies with high or improving returns on capital, rock-solid balance sheets with minimal leverage, and low multiples to book value, earnings, or assets. Additionally, the manager favors companies which generate excess cash flow that can be used for attractive reinvestment or returned to shareholders. With the help of a proprietary earnings discount model, the investment team's goal is to buy high-quality companies at a discount to "fair value." Opportunities for purchase may arise from mis-valuations due to market misperceptions. Most importantly, the manager invests with disciplined business managers dedicated to creating shareholder value. Consequently, a meeting with a company's senior management team—typically either the CEO or CFO—may precede the initial purchase.

**Silvercrest Small Cap Equity** is an actively managed, value-oriented investment strategy which focuses on companies with market capitalizations between \$200 million and \$2 billion. The manager employs a bottom-up approach to security selection and seeks companies with high or improving returns on capital, rock-solid balance sheets with minimal leverage, and low multiples to book value, earnings, or assets. Additionally, the manager favors companies which generate

excess cash flow that can be used for attractive reinvestment or returned to shareholders. With the help of a proprietary earnings discount model, the investment team's goal is to buy high-quality companies at a discount to "fair value." Opportunities for purchase may arise from mis-valuations due to market misperceptions and lack of brokerage or research sponsorship. Most importantly, the manager invests with disciplined business managers dedicated to creating shareholder value. Consequently, a meeting with a company's senior management team—typically either the CEO or CFO—may precede the initial purchase.

**Silvercrest Equity Income** is an actively managed, bottom-up investment strategy with a focus on higher yielding companies. The target yield for the strategy is 150% of the S&P 500. The investment manager employs a bottom-up approach to security selection and seeks companies with high or improving returns on capital, rock-solid balance sheets with minimal leverage, and low multiples to book value, earnings, or assets. Additionally, the manager favors companies which generate excess cash flow that can be reinvested or returned to shareholders. With the help of a proprietary earnings discount model, the manager seeks to buy high-quality companies at a discount to "fair value." Opportunities for purchase may arise from mis-valuations due to market misperceptions and lack of brokerage or research sponsorship. Most importantly, the manager invests with disciplined business managers dedicated to creating shareholder value. Consequently, a meeting with a company's senior management team—typically either the CEO or CFO—may precede the initial purchase.

**Silvercrest Multicap** is an actively managed, bottom-up investment strategy that invests across the market cap spectrum. The managers, therefore, are allowed to comb a broad universe of stocks to build their portfolio. The investment manager employs a bottom-up approach to security selection and seeks companies with high or improving returns on capital, rock-solid balance sheets with minimal leverage, and low multiples to book value, earnings, or assets. Additionally, the manager favors companies which generate excess cash flow that can be reinvested or returned to shareholders. With the help of a proprietary earnings discount model, the manager seeks to buy high-quality companies at a discount to "fair value." Opportunities for purchase may arise from mis-valuations due to market misperceptions and lack of brokerage or research sponsorship. Most importantly, the manager invests with disciplined business managers dedicated to creating shareholder value. Consequently, a meeting with a company's senior management team—typically either the CEO or CFO—may precede the initial purchase.

**Silvercrest SMID Cap Equity** is an actively managed, value-oriented investment strategy which focuses on companies with market capitalizations between \$200 million and \$10 billion. The manager employs a bottom-up approach to security selection and seeks companies with high or improving returns on capital, rock-solid balance sheets with minimal leverage, and low multiples to book value, earnings, or assets. Additionally, the manager favors companies which generate excess cash flow that can be used for attractive reinvestment or returned to shareholders. With the help of a proprietary earnings discount model, the investment team's goal is to buy high-quality companies at a discount to "fair value." Opportunities for purchase may arise from mis-valuations due to market misperceptions and lack of brokerage or research sponsorship. Most importantly, the manager invests with disciplined business managers dedicated to creating shareholder value. Consequently, a meeting with a company's senior management team—typically either the CEO or CFO—may precede the initial purchase.



**Silvercrest Focused Value** Equity strategy is an actively managed, value-oriented investment strategy which seeks to enhance capital through the ownership of a concentrated portfolio of the investment team's best potential investments, regardless of market cap. Moreover, the strategy views risk not as volatility but as a sustained loss of capital and therefore seeks to avoid losses over two-year investment periods. Attractive investments include those with high or improving returns on capital, rock-solid balance sheets with minimal leverage, and low multiples to book value, earnings, or assets. Employing a proprietary earnings discount model, the investment team's goal is to buy high-quality companies at a substantial discount to "fair value." Pursuing the very best opportunities typically results in fewer holdings, generally between 10 and 20, with a maximum size of 20%, based on market value. The investment team is patient, preferring to hold cash to take advantage of attractive candidates rather than to hold fully valued securities.

**Silvercrest Small Cap Concentrated** Equity strategy is an actively managed, bottom-up investment strategy with a focus on higher yielding companies. The investment objective of the Account is a total rate of return over rolling three-to-five year periods which exceeds the benchmark, which is the Russell 2000 Value Index. The portfolio shall be comprised of equity securities and cash. Eligible securities shall consist of issues traded on the exchanges in the United States. The portfolio is to be fully invested in equity securities under normal circumstances. Cash equivalents will generally not exceed 5% of the market value of the portfolio. The portfolio will generally hold between 30 and 40 stocks. Sector representation and diversification will typically be between 50% and 200% of the respective exposures to the individual benchmark sectors.

**Silvercrest Core International** Equity strategy seeks to achieve long-term, tax-efficient capital growth by investing in dominant, well-managed companies domiciled outside the United States. The portfolio managers emphasize purchasing companies with excellent free cash flow growth but only at a reasonable price. The managers seek securities with prospective free-cash-flow yields 20% greater than the yields of intermediate government securities. With the help of a proprietary earnings discount model, the investment team looks for high-quality companies trading at a discount to "fair value." Portfolio companies typically include: high or improving returns on capital; rock-solid balance sheets with minimal leverage; and disciplined management teams who act rationally and speak candidly to their shareholders. The portfolio especially values management teams which can successfully reinvest excess cash flow in their businesses or return it to shareholders through dividend increases. Opportunities for purchase often surface through short-term negative sentiment and the ensuing market misperceptions. Top-down macro analysis serves as a risk-management overlay to help determine country and industry weightings throughout the portfolio.

**Silvercrest Liquid Hedge Portfolio Advisory** investment program is designed to complement long-only equity portfolios by achieving equity-type returns over a full market cycle with substantially less volatility. The program will use liquid investment vehicles such as mutual funds and exchange-traded funds. The portfolio diversifies among styles, geographies, sectors, market capitalizations, trading orientations and market exposures. Though it is generally United States equity-focused, other security types may be pursued, including international and emerging markets.

**Silvercrest Real Estate Investment Trust** Silvercrest Real Estate Investment Trust (REIT) portfolio is an actively managed, concentrated and income-oriented investment strategy which focuses on publicly traded REITs. The manager employs a bottom-up security selection process designed to identify high-quality REITs characterized by attractive valuations, durable cash flows, strong balance sheets, transparent structures, sustainable competitive advantages and superior management teams. The portfolio includes REITs operating in various Real-Estate sub-sectors, providing diversification within the industry. The portfolio strategy targets an overall dividend yield in excess of the MSCI US REIT Index. REITs are not subject to the entity level tax that typically applies to corporations and must pay out 90% of their taxable income to shareholders in the form of dividends. Shareholders will receive a Form 1099-DIV that breaks down the dividend distribution into three categories: non-qualified dividends, capital gains and return of capital. Most REIT dividend distributions are considered non-qualified dividends which means they are subject to ordinary income tax rates.

**Silvercrest Master Limited Partnership Strategy** is an actively managed, income-oriented investment strategy which focuses on publicly traded limited partnerships with market capitalizations in excess of \$1 billion. The manager employs a bottom-up approach to security selection and seeks high-quality MLPs with durable cash flows, transparent growth prospects and quality management teams. The majority of MLPs operate in the energy infrastructure space and produce consistent income that has historically not been correlated to the broad equity or fixed income markets. The partnership structure allows for the avoidance of corporate income taxes and the flow through to the investor of non-cash charges against any income generated, typically in the form of depreciation expense. Many MLPs own and operate interstate pipelines subject to federal regulation, which has generally been accommodative to growth. MLPs distribute most of their cash flow, which is significantly higher than reported income. Therefore, taxes are deferred on excess distributions until the time of sale and are taxed as ordinary income (gains above deferred income are taxed as capital gains). The goal of the strategy is to generate consistently high tax-efficient income and to provide diversification within a broader asset allocation.

In addition to the investment risks set forth in the section below, entitled “Risk of Loss,” the Silvercrest Master Limited Partnership Strategy also presents to investors the following risks:

(a) Interest Rate Risk: MLP investors are sensitive to returns from competing “yield” investments. Higher interest rates therefore tend to put downward pressure on MLP valuations. MLPs also use debt to finance their operations, and higher interest rates could raise capital costs and challenge their ability to grow profitably.

(b) Operational Risk: The cash flows from MLPs’ underlying operations finance distributions to investors. Certain MLPs have been forced to cut distributions in response to sustained weak business conditions.

- Interstate natural gas pipelines are ideally suited for the MLP structure. They earn stable revenues from multi-year take-or pay contracts, and double-digit rates of return are federally regulated.
- Interstate liquids pipelines are somewhat exposed to volumetric risk, but pricing is federally regulated with attractive annual escalators.
- Gathering and processing assets can be exposed to both volumetric and commodity-price risks, but contract structures can alter the risk profile meaningfully.

- Exploration and production (E&P) MLPs attempt to control commodity-price risk with hedging strategies.
- (c) Regulatory Risk: MLPs are subject to federal and state regulation. A tighter regulatory environment could develop, possibly impairing the profitability and growth prospects of MLPs.
- (d) Structure Risk: The limited partnership units that are typically offered in public markets have fewer rights than the general partner. The interests of the limited partners may conflict with those of the general partner.
- (e) Tax Risk: Changes in the tax law could eliminate the favorable tax treatment afforded to MLP investors.
- (f) Concentration Risk: The strategy is expected to own approximately 15 securities. The poor performance of even one MLP could undermine the performance of the entire portfolio.

## 2. Risk of Loss

All of the equity strategies involve essentially the same risk: market loss. Either a decline in the value of a concentrated equity position in a strategy, a general decline in a specific sector, whether by industry or size, or a decline in the equity markets generally could result in significant market loss for clients who are invested using one of the equity strategies. These declines can be caused by a huge variety of events, not necessarily driven by failures within the issuing companies. Investing in the equity strategies generally is for clients who wish to capitalize on increases in the value of equity securities and are willing and able to bear the loss associated with associated declines.

## B. Fixed Income Management

### 1. Methods of Analysis and Investment Strategies

Silvercrest's proprietary fixed income management encompasses both municipal and government/corporate bond portfolios. Both capabilities are focused on the active management of high-grade fixed income securities of short to intermediate duration.

Our objective is to build high quality, well-diversified portfolios that are well positioned to generate total returns in excess of the market benchmarks over a market cycle. We do not predict the direction of short-term interest rates but rather seek to exploit relative value opportunities as they arise. Research is the key to identifying value in the fixed income markets and is at the center of each of our fixed income investment strategies. Whether managing dedicated bond portfolios or the fixed income portion of balanced portfolios, Silvercrest recognizes that each client has unique investment objectives and risk tolerance levels. Accordingly, all of our bond portfolios are customized to meet a client's particular income tax, cash flow and time horizon requirements.

The firm's fixed income investment strategies are as follows:

**Silvercrest Municipal Value** The Municipal Value strategy pursues opportunities in municipal bonds that share three goals: 1) high levels of federal tax-exempt income, 2) capital

preservation, and 3) short to intermediate duration characteristics. The managers are bottom-up, value investors that focus on credit-quality at the individual security level. The managers buy credits that they intend to hold to maturity. The managers emphasize the not-for-profit healthcare and education sectors, i.e. credits from issuers whose services are essential to the fabric of the communities they serve and which are often more credit-worthy than their ratings suggest. The strategy's goal is to build a customized, diversified portfolio of solid credits to lock in a taxable equivalent yield of 6-8% with 4-6 years duration. The strategy maintains low turnover in an attempt to enhance its tax efficiency. The managers avoid risky credits such as "dirt" bonds, the colloquial term for securities that are tied land values, tobacco bonds, or other non-essential credits. In addition, the strategy does not use leverage, derivatives, or AMT bonds.

**Silvercrest Intermediate Municipal Bond** strategy actively manages high-grade securities across all maturities. The strategy's objective is to build high-quality, well-diversified portfolios positioned to generate total returns in excess of the Barclays Capital 5-Year Bond Index over a market cycle. The investment manager actively manages duration exposure, yield curve position, credit quality and sector allocations to benefit from long-term economic, technical and political trends which influence the fixed income markets. Research is the key to identifying value in the fixed income markets and is at the center of our investment strategy. The manager will not purchase securities in which it does not fully understand both the structure and the issuer. The investment discipline follows a consistent, time-tested methodology that is grounded in a constant search for relative value. The manager seeks to integrate top-down analysis with bottom-up credit analysis and security selection techniques. Securities are purchased with the intention to earn an excess return over time, not simply as a short-term trading profit.

Like other fixed income investments, upon an increase in interest rates, the value of municipal bonds generally decline. Some factors which can cause losses in the municipal securities in the strategy include: economic conditions in the geographic area in which the bond issuer is located; a lack of market liquidity for those bonds as well as the resulting difficulty in valuation of the bonds; an issuing municipality's act which causes failure to maintain its tax exemption; uncertainties in the municipal market related to legislation or litigation involving the taxation of municipal securities or the rights of municipal securities holders in the event of a bankruptcy; disruptions in related markets restricting the availability of credit generally; put features in certain bonds; increases in interest rates charged by banks or the U.S. Federal Reserve Bank; inflation in the price of goods and services; prepayment by issuers; and yield curve and maturity risk.

**Silvercrest Core Government / Credit Fixed Income** The Silvercrest Core Government/ Credit strategy actively invests in high-grade securities across all maturities. The strategy's objective is to build high-quality, well-diversified portfolios positioned to generate total returns in excess of the Barclays Capital Government/Credit (or comparable) index over a market cycle. The manager actively manages duration exposure, yield curve positions, credit quality and sector allocations to benefit from long-term economic, technical and political trends that will most influence the fixed income markets. Research is at the center of the investment strategy.

**Silvercrest Core Intermediate Fixed Income** strategy actively manages high-grade securities across all maturities. The strategy's objective is to build high-quality, well-diversified portfolios

positioned to generate total returns in excess of the Barclays Capital Government/Credit (or comparable) index over a market cycle. The manager actively manages duration exposure, yield curve positions, credit quality and sector allocations to benefit from long-term economic, technical and political trends that will most influence the fixed income markets. Research is at the center of the investment strategy.

## 2. Risk of Loss

The fixed income strategies are also long-only strategies, meaning that they purchase bonds and hold them, hoping that they will increase in value and produce a positive rate of return rather than selling short securities with the expectation that they will decrease in value. As such, the strategies depend on the bonds in the strategy to maintain their value and the primary risk is that the bonds in the strategies will decrease in value. The specific risks for each strategy are set forth below. The bonds in the strategies are subject to the risk that the bond issuers (including governmental entities) may default on their obligations and that certain events may occur which have an immediate and significant adverse effect on the value of the bonds. There can be no assurance that an issuer of a bond in the strategies will not default or that an event which has an immediate and significant adverse effect on the value of such bonds will not occur, and that a client will not sustain a loss on a transaction as a result.

Because the strategy includes high yield securities, it carries additional risks. High yield securities, which are typically rated as below investment grade, may be regarded as predominantly speculative with respect of the issuer's (including a governmental and non-governmental issuer) continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher quality debt securities. High yield securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of high yield securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual municipal or corporate developments. If an issuer of a high yield security in the strategy defaults, a client investing in that bond may incur additional expenses to seek recovery. The secondary markets on which high yield securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the price of a bond. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of high yield securities, especially in a thinly traded market.

## C. Outsourced Investments

For clients who seek a level of portfolio diversification beyond Silvercrest's proprietary investment capabilities, we have put in place a number of "outsourced" investment capabilities designed to complement those of Silvercrest.

We have retained sub-advisors to advise us in the area of hedge funds and other alternative investment strategies. As a result, we can offer our clients investments in funds of funds or we can assist them in the customization of separately managed alternative investment portfolios.

These include large-cap, mid-cap and small-cap growth equity strategies, international equity strategies, high-yield bond strategies, private equity and real estate. In each case we have identified managers with a proven record of success in their niche.

There is available an unlimited variety of investment strategies and an unlimited variety of associated risks.

## **II. The Funds**

Silvercrest clients may invest the assets in their accounts in one of the Funds. Each Fund has different investment objectives, but some involve the same types of risks. The methods of investment strategy and risks associated with the Funds are listed, fund-by-fund, and as a whole, below.

### **A. Investment Strategies and Risks of Loss by Fund**

#### **1. SHEF**

##### **(a) SHEFD Investment Strategies**

Silvercrest Hedged Equities Fund, L.P. ("SHEFD") specializes in identifying hedge fund and money management firms with track records that demonstrate the ability to generate attractive rates of return. SHEFD operates as a fund-of-funds, allocating its assets among a diversified group of investment managers with proven track records ("Sub-Fund Managers"). SHEFD will access these Sub-Fund Managers through individually managed accounts or by investing in funds operated by the Sub-Fund Managers, including, but not limited to, limited partnerships, investment companies, limited liability companies and corporations, whether offered publicly or privately, located within or outside the U.S. and managed by registered or unregistered, regulated or unregulated U.S. and non-U.S. investment advisors; provided, however that SHEFD may from time to time invest directly in securities offered by particular issuers.

SHEFD is designed to complement long-only equity portfolios by achieving equity-type returns over a full market cycle with substantially less volatility than otherwise would result from investing solely in such long-only equity portfolios. In order to accomplish its objective, SHEFD will invest with a diversified group of equity-oriented Sub-Fund Managers whose strategies may include U.S. and non-U.S. equities and fundamental and quantitative approaches, as well as a prudent use of leverage. SHEFD will diversify across most aspects of equity management including, without limitation, style, geography, sector, market capitalization, trading orientation and market exposure. Although SHEFD will focus predominantly on Sub-Fund Managers of U.S. equity strategies, approximately 20% of SHEFD (at the time of investment) may be allocated to Sub-Fund Managers focusing on non-U.S. equity strategies.

There can be no assurance that the Investment Manager will be able to identify and select Sub-Fund Managers that are able to replicate their historical performance. The past performance of Sub-Fund Managers is no guaranty of their future performance. Therefore, there can be no assurance that SHEFD's investment objective will be met or that SHEFD will generate any positive returns.

(b) SHEFI Investment Strategy

Silvercrest Hedged Equities Fund (International), Ltd. ("SHEFI") will invest all or substantially all of its assets in SHEFD.

(c) Risks Associated with SHEF

The risks associated with investments in SHEF, including SHEFD and SHEFI, are discussed in the section below entitled Risks and Conflicts of Interest Associated With All of The Funds.

2. SEMF

(a) Investment Strategies of SEMF

Silvercrest Emerging Markets Fund, L.P. ("SEMF") specializes in identifying hedge fund and money management firms with track records that demonstrate the ability to generate attractive rates of return. SEMF operates as a fund-of-funds, allocating its assets among a diversified group of investment managers with such track records ("Sub-Fund Managers"). SEMF will access these Sub-Fund Managers through individually managed accounts or by investing in funds operated by the Sub-Fund Managers, including, but not limited to, limited partnerships, investment companies, limited liability companies and corporations, whether offered publicly or privately, located within or outside the U.S. and managed by registered or unregistered, regulated or unregulated U.S. and non-U.S. investment advisors; provided, however, that SEMF may from time to time invest directly in securities offered by particular issuers.

SEMF seeks to achieve long-term above-average returns by taking advantage of the expected economic growth of Global Emerging Capital Markets while reducing downside exposure during periods of economic decline to the developed financial markets. In order to accomplish its objective, SEMF will invest with a diversified group of Sub-Funds which are expected to invest primarily in global portfolios of securities of issuers located outside the United States, Canada, Japan, and Western Europe (the "Global Emerging Capital Markets"); provided however, it is expected that from time to time that such Sub-Funds may invest in issuers who are not part of the Global Emerging Capital Markets. Sub-Fund strategies may include, but are not limited to, the purchase and sale of stocks, bonds, options, currencies, futures contracts, derivative instruments (including mortgage-backed obligations and interest rate and currency swaps) and money market instruments issued by companies from and governments in Global Emerging Capital Markets.

There can be no assurance that Silvercrest will be able to identify and select Sub-Fund Managers that are able to replicate their historical performance. The past performance of Sub-Fund Managers is no guaranty of their future performance. Therefore, there can be no assurance that SEMF's investment objective will be met or that SEMF will generate any positive returns.

(b) Investment Strategies of SEMFI

Silvercrest Emerging Markets Fund (International), Ltd. ("SEMFI") will invest all or substantially all of its assets in SEMF.

(c) Risks Specific to SEMF

SEMF and Sub-Funds shall invest mainly in issuers located or doing substantial business in emerging market countries. Because of less developed markets and economies and, in some countries, less mature governments and governmental institutions, the risks of investing in securities of issuers domiciled or doing substantial business in emerging market countries can be intensified. These risks include: high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as a high concentration of investors and financial intermediaries; political and social uncertainties; over-dependence on exports, especially with respect to primary commodities, making these economies vulnerable to changes in commodity prices; overburdened infrastructure and obsolete or unseasoned financial systems; environmental problems; less developed legal systems; and less reliable custodial services and settlement practices. Investments in these markets or denominated in non-U.S. currencies also pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the U.S. are generally higher than in the U.S. because of the cost of converting a foreign currency to dollars, the payment of fixed brokerage commissions on some foreign exchanges and the imposition of transfer taxes or transaction charges by non-U.S. exchanges. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the U.S. and there is greater difficulty in 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 performance of SEMF. These risks apply to investments in SEMFI as well, since SEMFI will invest all or substantially all of its assets in SEMF.

3. Silvercrest Global Opportunities Fund (International), Ltd. and SGOFI, L.P.

Silvercrest Global Opportunities Fund (International), Ltd. is a Cayman Islands exempted company (the "Offshore Fund"). The Offshore Fund will invest all or substantially all of its assets in SGOFI, L.P., a Cayman Islands exempted limited partnership formed on May 27, 2008 (the "Master Fund").

(a) Investment Strategies of Silvercrest Global Opportunities Fund (International), Ltd., and SGOFI, L.P.

The Master Fund's investment objective is to create significant capital appreciation over a three-to-five year period. However, no assurance can be given that the Master Fund's investment



objective will be achieved, and investment results may vary substantially on a monthly, quarterly and annual basis. Silvercrest believes that the Master Fund's investment objective can be achieved with a well-constructed investment program utilizing a select group of experienced managers ("Designated Managers") that employ multiple strategies on a global basis. The Designated Managers will be selected by Silvercrest in accordance with the investment process described below.

The Master Fund is designed to be global in focus, seeking to invest, as opportunities become available, in underlying funds targeting what Silvercrest views as compelling opportunities. The Master Fund's investment program will attempt to identify Designated Managers that will, among other things, (i) profit opportunistically from perceived market dislocations, (ii) identify deep-value investment situations, (iii) invest globally in regions that Silvercrest believes are prospects for potentially high growth, and (iv) identify deeply discounted or distressed securities, employing these and other opportunistic strategies. It is intended that both public, liquid trading strategies and private, longer term, illiquid strategies in the U.S. and international markets will be employed by the different underlying funds. The Master Fund's long-term above-average returns are anticipated by Silvercrest to be substantially independent of general market conditions with low correlation to U.S. and global equity indices. As such, Silvercrest believes that the Master Fund should represent a source of portfolio diversification and should complement traditional equity and bond market holdings.

The Master Fund will seek to achieve its investment objective by allocating its assets among Designated Managers and their underlying funds. The Designated Managers will have attributes that Silvercrest views as demonstrating their ability to deploy their stated strategy and achieve above-average returns over the long-term. The strategies of the individual Designated Managers are expected to vary in approach, style, market focus and investment time horizon. It is anticipated that each Designated Manager will invest using a variety of different investment strategies and in various markets based on the Designated Manager's perception, from time to time, of where the greatest opportunities exist for above-average returns.

Silvercrest will invest the assets of the Master Fund with Designated Managers either through becoming a participant in a pooled investment vehicle or by placing assets of the Offshore Fund in a managed account (each an "Underlying Fund"). The Master Fund expects to invest in Underlying Funds located both in the United States and abroad. The Master Fund may invest in Underlying Funds that are listed on exchanges. The strategies employed by the Designated Manager may include, but are not limited to, investment in publicly-traded debt and equity securities worldwide, options, warrants, futures and forward contracts in financial instruments, currencies or commodities, over-the-counter derivative instruments, preferred stocks, convertible bonds, and illiquid holdings such as private equity and venture capital securities.

Silvercrest will monitor the performance figures of a large group of investment managers and evaluate them based on, among other things, total performance and downside loss protection. Silvercrest expects to select Underlying Funds and Designated Managers that satisfy Silvercrest's stringent selection process. Silvercrest will select only those Underlying Funds that, in its judgment, are likely to produce superior risk-adjusted returns consistent with the Master Fund's investment objective. Underlying Funds and Designated Managers will be selected by Silvercrest based on some or all of the following criteria:

- Performance — i.e., the attractiveness and consistency of the manager's performance record and the manager's potential to generate superior risk-adjusted

returns over an extended period of time. Silvercrest will undertake analysis of a manager's performance record and risk control procedures, as well as administration and compliance infrastructures, and will credit managers who have a demonstrated track record of superior risk-adjusted returns, effective risk management and superior administration and compliance controls and are known to Silvercrest.

- Risk Controls — *i.e.*, the effectiveness, in Silvercrest's judgment, of the Designated Manager's or the Underlying Fund's back office and risk control procedures.
- Longevity and Reputation — *i.e.*, the length of time the Designated Manager has been employing its investment strategies, either as the Designated Manager or as a portfolio manager generally, and the reputation of the manager in the industry. Many managers have been operating hedge funds for only a few years or less, but certain managers have been in business longer or have used similar investment strategies for other organizations for longer periods of time.
- Depth of Organization — *i.e.*, the number of professionals and support personnel and range of functions employed by the Designated Manager or the Underlying Fund in light of the total assets under management.

Silvercrest generally favors Designated Managers who have their own capital at risk together with that of their investors in their investment programs.

- (c) Risks Associated with Silvercrest Global Opportunities Fund, L.P., Silvercrest Global Opportunities Fund (International), Ltd., and SGOFI, L.P.

The risks associated with investments in Silvercrest Global Opportunities Fund (International), Ltd., and SGOFI, L.P., are discussed in the section below entitled Risks and Conflicts of Interest Associated With All of The Funds.

#### 4. SMAPA, SMAPP, SMAPS and SMAPM (the “Muni Funds”)

The Silvercrest Municipal Advantage Portfolio P LLC (“SMAPP”), The Silvercrest Municipal Advantage Portfolio A LLC (“SMAPA”), and The Silvercrest Municipal Advantage Portfolio S LLC (“SMAPS”, and together with SMAPP and SMAPA, the “Feeder Funds”) each invest substantially all of its assets in the Silvercrest Municipal Advantage Master Fund LLC, a Delaware limited liability company (the “Master Fund”). The Master Fund and the Feeder Funds are collectively referred to as the “Fund” or the “Muni Funds”).

- (a) Investment Strategies of the Muni Funds

The investment objective of the Muni Funds is to provide a high level of current income primarily exempt from federal income taxation through investments in securities that also provide the Muni Funds the ability to generate capital appreciation. The Muni Funds seek to achieve their investment objectives by investing at least 80% of its assets in municipal

obligations. These municipal securities generally include general obligation bonds, which are backed by the full faith and credit of the issuer and may be repaid from any revenue source, and revenue bonds, which may be repaid only from the revenue of a specific facility or source. The Muni Funds will generally invest in municipal bonds that pay interest that is exempt from regular federal income tax.

Municipal bonds pay interest that is exempt from the regular federal income tax, although income from these bonds may be subject to the federal alternative minimum tax and state and local taxes. Typically, investors look to municipal bonds as a purely defensive instrument for protecting principal. This focus on principal protection generally achieves low current income and low returns on such investments. However, Silvercrest believes that high income and high yield bonds that meet intelligent risk-reward criteria can be an excellent path to tax-free income and higher returns, and that compounding tax-free income at high rates is a potent force for consistent risk-adjusted growth.

The Muni Funds invest their assets in municipal securities without regard to maturity level, geographical location, or credit ratings. At any given time, the Muni Funds could invest all of its assets in municipal securities that are below investment grade quality. The Muni Funds may invest in short-term investments, such as short-term, high quality municipal bonds or tax-exempt money market funds. The Muni Funds may invest in short-term, high quality taxable bonds or shares of taxable money market funds if suitable short-term municipal bonds or shares of tax-exempt money market funds are not available at reasonable prices and yields.

Silvercrest tends to focus on municipal issuers that offer services that are viewed as essential in the communities in which they are located. From time to time these issuers that provide essential services may experience transitory financial stress. However, due to their essential role in the fabric of the community these issuers often find multiple sources of both traditional and non-traditional financial support. While these sources may be difficult to forecast, they provide an additional source of funding often ignored by more traditionally focused municipal bond investors, thereby creating opportunities to generate above-market rates of return.

The Muni Funds' primary investment strategy focuses on identifying value-based opportunities in the secondary municipal bond market where Silvercrest believes that the secondary market offers value opportunities that are often overlooked by investors. Silvercrest tends to focus on those issuers that provide services essential to the community they serve. In addition, Silvercrest tends to take advantage of periodic market dislocations and inefficiencies which sometimes occur when (i) market participants trade on emotion and overreact to news or other events, or (ii) when there is forced selling by current debt holders caused by the implications of a downgrade in a municipal credit's debt rating.

Each investment decision of Silvercrest is grounded in quantitative and qualitative research and proprietary analysis. While the Muni Funds do not intend to focus on "new issues" of municipal securities in the primary market, they may, from time to time, invest in such "new issues" if Silvercrest feels that the particular "new issue" is appropriately priced and undervalued.

Silvercrest's investment philosophy centers around four principles:

1. *Choosing securities, not markets:* Silvercrest evaluates municipal bond credits on an individual basis and allocates capital to those that are believed to be the most attractive.
2. *Appropriate Risk Management:* Silvercrest considers risk management to be a crucial component in portfolio construction and focuses on intelligent risk/reward management in an effort to optimize the Muni Funds' performance. While risk in the municipal market industry cannot be avoided, Silvercrest believes that it can be actively managed. Through Silvercrest's research and proprietary analysis in determining which municipal securities represent real value versus perceived value, it believes that security-specific risk can be mitigated.
3. *Value Investment Focus:* Using research and proprietary analysis, Silvercrest focuses its attention on those securities that it believes represent the best value. Silvercrest's security evaluations are founded upon a particular security exhibiting strong fundamentals, professional insight and the potential for enhanced returns.
4. *Consistent Discipline:* Silvercrest believes that consistency in its research and proprietary analysis is the hallmark of its discipline.

The foregoing descriptions of the investment discipline represent Silvercrest's present intentions in view of current market conditions and other factors. Silvercrest may vary the foregoing investment objectives, guidelines and restrictions to the extent it determines that doing so will be in the best interest of the Muni Funds.

The foregoing description is general and is not intended to be exhaustive. Investors must recognize that there are inherent limitations on all descriptions of investment processes due to the complexity, confidentiality and subjectivity of such processes. In addition, the description of virtually every strategy must be qualified by the fact that investment approaches are continually changing, as are the markets in which the Muni Funds invest.

#### (b) Risks Associated Specifically With the Muni Funds

**Credit Risks:** The Muni Funds are subject to the risk that issuers of instruments in which they invest and trade (including governmental entities) may default on their obligations under such instruments and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of an instrument in which the Muni Funds invest will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Muni Funds will not sustain a loss on a transaction as a result.

**Accuracy of Public Information:** Silvercrest selects investments for the Muni Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Silvercrest by the issuers or through sources other than the issuers. Silvercrest may not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

**Loss in Value of Municipal Bonds:** Like other fixed income investments, upon an increase in interest rates, the value of municipal bonds generally decline.

**Geographic Concentration:** The Muni Funds may invest in municipal bonds issued by credits in relatively close geographic proximity. Economic conditions can affect issuers of municipal bonds on a regional basis. To the extent that the Muni Funds invest in municipal bonds issued by credits in close geographic proximity, and that region suffers from an adverse economic condition, the Muni Funds may suffer a disproportionately large decrease in the Muni Funds' net asset value.

**Municipal Market Liquidity:** The Muni Funds may be adversely affected by the lack of market liquidity for certain instruments traded by the Muni Funds.

**Valuation:** The lack of liquidity for certain securities owned by the Muni Funds may create difficulty for Silvercrest in determining the fair value of such securities when calculating the Muni Funds' net asset value. Actual amounts realized on the disposition of securities may differ materially from the fair value assessed by Silvercrest.

**Availability of Investment Strategies:** The success of the Muni Funds' trading activities will depend on Silvercrest's ability to identify appropriate investment opportunities and to exploit price discrepancies in the capital markets. Identification and exploitation of the investment strategies to be pursued by the Muni Funds involves a high degree of uncertainty. No assurance can be given that Silvercrest will be able to locate suitable investment opportunities in which to deploy all or any portion of the Muni Funds' capital. A reduction in the volatility and pricing inefficiency of the markets in which the Muni Funds will seek to invest, as well as other market factors, will reduce the scope for the Muni Funds' strategy.

**Tax Exemption of Municipal Bonds:** Although the Muni Funds expect to invest primarily in bonds that give rise to tax exempt interest for U.S. federal income tax purposes, a significant portion of the Muni Funds' investments may be taxable. In addition, the Muni Funds will recognize taxable gain or loss, if any, on the disposition of bonds. Further, the IRS may seek to recharacterize as taxable the Muni Funds income that is expected to be tax-exempt. A municipality's failure to comply with certain requirements regarding the use and investment of the proceeds from its bonds may cause interest on its bonds to be includable in gross income for U.S. federal income tax purposes, retroactive to the date of issuance, regardless of when the noncompliance occurs. None of the Muni Funds, Silvercrest or their counsel has passed or will pass upon, nor assumes any responsibility for, any of the tax aspects of the municipal bonds in which the Muni Funds invest, including, without limitation, bond counsel's tax opinion or the initial or continuing status of interest on the bonds as excludable from gross income for U.S. federal income tax purposes. The Muni Funds' borrowings, if any, generally will not be deductible for U.S. federal income tax purposes.

**Municipal Market Disruption Risk:** The value of municipal securities may be affected by uncertainties in the municipal market related to legislation or litigation involving the taxation of municipal securities or the rights of municipal securities holders in the event of a bankruptcy. Proposals to restrict or eliminate the federal income tax exemption for interest on municipal securities are introduced before Congress from time to time. Proposals also may be introduced before a particular state legislature that would affect the state tax treatment of a municipal fund's distributions. If such proposals were enacted, the availability of municipal securities and the value of a municipal fund's holdings would be affected, and Silvercrest would reevaluate the

Muni Funds' investment objectives. Municipal bankruptcies are relatively rare, and certain provisions of the U.S. Bankruptcy Code governing such bankruptcies are unclear and remain untested. Further, the application of state law to municipal issuers could produce varying results among the states or among municipal securities issuers within a state. These legal uncertainties could affect the municipal securities market generally, certain specific segments of the market, or the relative credit quality of particular securities. Any of these effects could have a significant impact on the prices of some or all of the municipal securities held by the Muni Funds.

**Market Dislocation and Illiquidity:** Recent events in the sub-prime mortgage market and other areas of the fixed income markets in the United States have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets. These events have had repercussions on the global financial markets, including the markets in which the Muni Funds trade and invest, by restricting the availability of credit generally, and reducing liquidity levels across virtually all markets globally. The foregoing events could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of the Muni Funds' investments. Such marketplace events also may restrict the ability of the Muni Funds to sell or liquidate investments at favorable times and/or for favorable prices and/or cause the Muni Funds to have limited access to credit. The Muni Funds may be adversely affected by a decrease in market liquidity (e.g., by impairing the Muni Funds' ability to adjust their positions and risk in response to trading losses or other adverse developments). The size of Muni Fund positions may magnify the effect of a decrease in market liquidity for the instruments traded. Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect the Muni Funds' positions.

**Put Features:** Put features entitle the holder to sell a security back to the issuer at any time or at specified intervals. In exchange for this benefit, the Muni Funds may accept a lower interest rate. Securities with put features are subject to the risk that the put provider is unable to honor the put feature (purchase the security).

**High Yield Securities:** The Muni Funds invest in high yield securities. High yield securities, which are typically rated as below investment grade, may be regarded as predominantly speculative with respect of the issuer's (including a governmental and non-governmental issuer) continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher quality debt securities. High yield securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of high yield securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual municipal or corporate developments. If the issuer of high yield securities defaults, the Muni Funds may incur additional expenses to seek recovery. The secondary markets on which high yield securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the Muni Funds'. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of high yield securities, especially in a thinly traded market.

**Interest Rate Changes:** Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes. In other words, the longer the maturity of a security, the greater the impact a change in interest rates could have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates.

**Inflation Risk:** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Fund purchases a one-year bond in which it can realize a coupon rate of five percent (5%), but the rate of inflation is six percent (6%), then the real purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Muni Funds is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk. The Muni Funds' intermediate maturity/duration strategy mitigates, but does not eliminate, inflation risk.

**Prepayment:** Many types of debt securities are subject to prepayment risk. Prepayment occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a debt security can be difficult to predict and result in greater volatility.

**Maturity Risk:** In certain situations, the Muni Funds may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Muni Funds will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

## 5. Silvercrest International Fund, LP ("SIF")

### (a) Investment Strategies of SIF

SIF has established separate "segregated series" of limited partnership interests (each a "Series", and collectively, the "Series"). Each Series has a separate investment program. Investors may purchase limited partnership interests in one or more of such Series.

Each Series seeks to achieve capital appreciation through a program of investment in managed funds, registered open-end and closed-end investment companies and other investment vehicles and accounts that invest or trade primarily in the securities of non-U.S. companies. In order to achieve its objective, Silvercrest selects and allocates each Series' funds among several

professional money managers (“Underlying Managers”). It is anticipated that the Underlying Managers selected by Silvercrest will, in general, invest primarily in equity securities (including margin borrowing), but will also invest in currencies, convertible bonds, preferred stocks (convertible and otherwise), warrants or rights, fixed-income securities of non-U.S. issuers, and to a lesser extent swaps, options, futures, forward contracts and options on forward contracts. Each Series may also directly invest in any of the aforementioned securities, including securities listed on any stock exchange or represented by American depository receipts listed on a domestic securities exchange or traded in the U.S. over-the-counter markets.

SIF provides each limited partner with the ability to customize his exposure by dividing the Underlying Managers among separate Series, as follows:

**The Master Series:** The assets of the Master Series are allocated to Underlying Managers that provide broad coverage of international markets, spanning developed, emerging and frontier markets. The Master Series obtains its exposure to Underlying Managers focusing on emerging and frontier international markets by investing in the Emerging Market Series.

**The Emerging Market Series:** The assets of the Emerging Market Series are allocated to Underlying Managers that focus on emerging and frontier international markets. Emerging markets represent those countries progressing toward advanced stage economies generally defined as having liquid equity and debt markets, regulation and market exchange. Emerging markets are generally perceived as indicating rapid economic growth where consumer spending could match that of developed economies over time. The Emerging Market Series obtains its exposure to Underlying Managers focusing on frontier international markets by investing in the Frontier Market Series.

**The Frontier Market Series:** The assets of the Frontier Market Series are allocated exclusively to Underlying Managers that focus on frontier international markets. Frontier markets represent those with lower market capitalizations and less liquidity than emerging markets in general. Frontier markets may offer the potential of higher returns with lower correlations to other markets and typically have rapidly growing economies, and emerging middle class and abundant natural resources. Over time, as they evolve, frontier markets may become increasingly liquid and take on the characteristics of emerging markets. Frontier markets also tend to be less stable than developed or emerging markets. Many of the Underlying Managers who may be utilized by the Series have account minimums and/or organizational structures which would make it impossible or imprudent for many investors to place funds directly with these firms. In addition, because of their focus on international investment, the Underlying Managers selected by Silvercrest may have access to information about non-U.S. securities markets and companies which would be difficult for individuals to obtain.

Each Series is designed to mitigate, but not eliminate, certain of the attendant economic and structural risks of investing with a single Underlying Manager or in a single market by allocating such Series’ funds among several Underlying Managers. These Underlying Managers will have expertise in different areas of international investment, including investing and trading in marketable securities (both long and short), leverage (including margin borrowing), hedging, currencies, and, to a limited extent, trading in futures. It is intended that each Underlying Manager chosen by Silvercrest will have a distinct investment philosophy, and Silvercrest will



attempt to allocate each Series' assets among Underlying Managers to achieve an allocation of assets among regions, countries, sectors, industries and companies.

Each Series may invest any amounts not otherwise invested with Underlying Managers in certificates of deposit, money market funds, or other cash equivalents, including U.S. Treasury obligations.

Each Series may be deemed to be a speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the risk of the loss of their entire investment in such Series.

(b) Risks Associated Specifically with SIF

While Section 17-218 of the Delaware Revised Uniform Limited Partnership Act provides a statutory basis for the segregation of assets and liabilities of each Series, there is risk that the segregation may not be respected in certain circumstances. While certain states other than Delaware have similar statutory provisions permitting segregated series within a limited partnership, most states, including, without limitation, New York, do not. Presumably, those states with similar statutory provisions would enforce the segregation of the assets and liabilities of each Series. Those states that do not have a corresponding statute, however, may not enforce the segregation in the event that a dispute involving the Partnership and/or a Series was governed by the law of that state. Additionally, the segregation of the assets and liabilities of each Series has not been tested under U.S. bankruptcy law, and it is possible that a U.S. bankruptcy court would fail to respect the segregation of the assets and liabilities. In any such event, creditors of one Series may have recourse to the assets attributable to one or more of the other Series.

Investment in emerging and frontier market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging and frontier market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property. In addition, a Series' investment opportunities in certain emerging and frontier markets may be restricted by legal limits on foreign investment in local securities. Emerging and frontier markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging and frontier markets are lower than in developed countries. When seeking to sell emerging and frontier market securities, little or no market may exist for the securities. In addition, issuers based in emerging and frontier markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by government or securities exchanges in emerging and frontier markets may not accurately reflect the actual circumstances being reported.

The risks and conflicts associated with all Funds, set forth in II.B. below, entitled "Risks and Conflicts of Interest Associated With All of The Funds" are compounded in the case of SIF in

the sense that conflicts could exist by, between, and among each Series in addition to by, between, and among each Fund.

7. SMNF

Because SMNF is in liquidation, its investment strategy is simply to effect an orderly liquidation of assets and to maximize the distribution of proceeds to investors.

8. Silvercrest Special Situations L.P. (“SSSF”)

(a) Investment Strategies of SSSF

SSSF is a multi-manager fund established to provide investors with an opportunity to participate in non-traditional strategies. SSSF intends to diversify its investments among a number of managers who make use of varying degrees of leverage, hedging and arbitrage. SSSF’s investments in hedge funds, risk arbitrage funds, bankruptcy/distressed securities funds and certain other investment strategies will be made through a program of investment in funds and other investment vehicles managed by professional (“Underlying Managers”) with specialized expertise in these investment strategies. It is anticipated that the Underlying Managers selected by Silvercrest will invest in equity securities, convertible bonds, convertible preferred stocks, warrants or rights, fixed-income securities, currencies and other financial instruments. SSSF may also directly invest in any of the aforementioned securities. While most of SSSF’s investments will be in hedge funds, risk arbitrage funds and bankruptcy/distressed securities funds, Silvercrest reserves the right to make investments with Underlying Managers who pursue other investment strategies which the Investment Manager believes are consistent with SSSF’s objective.

SSSF intends to build a portfolio of investments with different liquidity, duration and leverage. SSSF does not anticipate that it will commit more than 40% of its capital to Underlying Managers or investment funds that pursue any one investment strategy (measured at the time of investment). SSSF is designed to mitigate, but not eliminate, certain of the attendant economic and structural risks of investing with a single Underlying Manager or in a single market by allocating SSSF’s funds among several Underlying Managers across several asset classes.

(b) Risks Associated with SSSF

The risks associated with investments in SSSF are discussed in the section below entitled Risks and Conflicts of Interest Associated With All of The Funds.

10. The Aston Funds

(a) Principal Strategies of the Aston Funds

Under normal circumstances, the Aston Funds invest at least 80% of their assets in common stocks and other equity securities of small-cap companies. The Aston Funds consider companies with market capitalizations below \$3 billion at the time of acquisition to be small-cap. The portfolio manager invests in companies that it believes to be undervalued at the time of purchase.

These companies typically possess, in the opinion of the portfolio manager, one or more of the following attributes:

- business that results in relatively consistent longer-term earnings and cash flow growth,
- franchise/asset value that may make the company attractive to potential acquirers,
- cyclically depressed earnings and/or cash flow that has potential for improvement, or
- a catalyst that will promote recognition of the company's undervalued status.

The Aston Funds may also invest in securities of companies outside the small-cap range, preferred stock, convertible securities and real estate investment trusts (“REITs”). The portfolio manager employs a strategy of diversification, and adheres to a structured sell discipline.

(b) Risks Associated with the Aston Funds

The risks associated with investments in the Aston Funds are discussed in the section below entitled Risks and Conflicts of Interest Associated With All of The Funds.

11. Silvercrest Commodity Strategies LP (“SCF”)

(a) Investment Strategies of SCF

The investment objective of SCF is to seek superior risk-adjusted returns through strategic, sector-based investments with commodity and macro trading investment managers. SCF pursues this objective by allocating its assets to a select group of third party portfolio managers that employ a range of trading strategies principally in SCF’s core markets, which are the commodity, currency, fixed income and equity markets. Accordingly, the assets of SCF will be invested in limited partnerships and similar entities (“Investment Funds”) or traded in separate accounts (“Managed Accounts”) managed by portfolio managers. SCF seeks investment returns by: (1) capturing profits from major market movements arising from significant macroeconomic and inflationary events and (2) employing non-directional strategies, including volatility-based and relative value-based methods. Silvercrest Asset Management Group LLC (the “Investment Adviser”) selects the portfolio managers and determines the allocations and reallocations of SCF’s assets to the portfolio managers. The Investment Adviser may add or replace portfolio managers at any time, without notice to limited partners.

The Investment Adviser believes that commodity and macroeconomic based investment strategies, influenced by global economic imbalances, geopolitical crosscurrents, currency movement and inflation shifts, can provide impressive returns even during declining equity and bond markets. Importantly, the Investment Adviser is focused on risk-adjusted return, striving to reduce risk to the extent possible without sacrificing return.

Within SCF’s core markets, the Investment Adviser allocates partnership assets across three complementary, diversified trading strategies: directional, volatility-based and relative value. The allocations will seek to balance the value of diversification with the benefit of opportunistic strategic weighting. Directional strategies will provide the foundation of SCF’s exposure by targeting major, global market opportunities that can provide significant profit during periods of inflation or global economic shifts. Volatility-based strategies, typically of short term nature, complement directional strategies by taking advantage of non-directional markets. Relative

value strategies, including arbitrage within and between markets, seek opportunities that are generally independent of those targeted in directional and volatility oriented strategies.

In selecting prospective portfolio managers, the Investment Adviser separates candidates by strategy and assesses them for performance across market cycles, consistency, risk management, depth and experience of staff, and correlation with peer managers. For candidates passing this first qualifying screen, a comprehensive on and off-site due diligence evaluation follows to analyze historical attribution, risk control through periods of market stress, changes in investment methodology and operational procedures. Lastly, interviews are conducted with executive, trading, compliance and administration staff. It is significant to the Investment Adviser that a prospective portfolio manager has a substantial personal investment in its fund or program.

To develop SCF's portfolio, the Investment Adviser blends strategy allocation with manager evaluation. This exercise goes beyond selecting the top managers in each strategy as other considerations, including further diversification by investment methods (global macro, trend following, inter and intra-market arbitrage, fundamental analysis, probabilistic modeling, volatility trading, flow trading, etc), affect the selection process. Throughout the final selection process maximizing risk-adjusted absolute return and increasing the stability of performance remain the guiding principles. Portfolio manager selection and portfolio analysis are ongoing processes, with additions and removals of portfolio managers, as well as reallocations among portfolio managers, evaluated monthly.

In addition to the Investment Adviser's methodology of diversifying across markets, strategies and methods, the Investment Manager's risk management controls are based on regular monitoring and analysis of portfolio managers. Portfolio managers are monitored for unusual characteristics of performance, attribution, leverage, staff turnover and asset growth. The Investment Adviser uses frequent communication with portfolio managers and regular due diligence reviews to monitor risk and may supplement this analysis with third-party risk consulting. Furthermore, any one portfolio manager's allocation is limited to no more than 20% of SCF's net assets (although generally the Investment Adviser expects to allocate less than 8% of SCF's net assets to any one portfolio manager). The effectiveness of the Investment Adviser's tactical allocation by strategy and Portfolio Manager selection is assessed regularly through comparisons with indexes.

It is possible that some or all of the Investment Funds or Managed Accounts may invest in newly issued securities. The regulations of the Financial Industry Regulatory Authority, Inc. ("FINRA") may prohibit certain persons, known as restricted persons, from participating in the profits or losses generated by investments in new issues. If a limited partner is a restricted person as defined under FINRA regulations and cannot share in any profits or losses generated by an investment in new issues, these profits or losses will be allocated to other limited partners who are not restricted persons.

Portfolio managers may borrow money from brokerage firms and banks on a demand basis to enable them to buy and sell short investments in excess of their capital, although SCF will not borrow to fund investments. The investment vehicles in which SCF invests may be further

leveraged by leverage inherent in certain derivative products, such as the writing of calls and puts or the use of commodity futures contracts and commodity options contracts.

The Investment Adviser may invest SCF funds temporarily in U.S. government obligations, money market accounts or other short-term interest-bearing accounts. SCF may borrow money on a secured or unsecured basis from banks for cash management purposes, and will pay interest on such borrowed monies. There is no self-imposed limit on the amount that SCF may borrow.

As the strategies utilized by the Investment Adviser are proprietary and confidential, the above discussion is necessarily of a general nature and is not intended to be exhaustive.

The performance results for SCF are available upon request. **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**SCF'S TRADING AND INVESTMENT STRATEGIES INVOLVE SUBSTANTIAL RISK. THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVE OF SCF WILL BE ACHIEVED, OR THAT SCF WILL HAVE ANY PROFITS OR WILL NOT EXPERIENCE SUBSTANTIAL LOSSES.**

(b) Risks Associated Specifically with SCF

**Commodity-Related Securities.** The production and marketing of commodities, and therefore of commodity related companies and investments, may be affected by actions and changes in governments. In addition, commodity-related investments may be cyclical in nature. During periods of economic or financial instability, commodity-related investments may be subject to broad price fluctuations, reflecting volatility of energy and basic material prices and possible instability of supply of various commodities. Commodity-related investments may also experience greater price fluctuations than the relevant commodity. In period of rising commodity prices, such investments may rise at a faster rate; and conversely, in times of falling commodity prices, such investments may suffer a greater price decline.

**Commodity Interests.** Commodity prices fluctuate for many reasons, including changes in market and economic conditions or political circumstances (especially of key energy-producing and consuming countries), the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation (agricultural, trade, fiscal, monetary and exchange control), international politics, policies of OPEC taxation and the availability of local, intrastate and interstate transportation systems and the emotions of the marketplace. The risk of loss in trading commodities can be substantial. If an Investment Fund or Managed Account purchases a commodity option, it may sustain a total loss of the premium and of all transaction costs. If an Investment Fund or Managed Account purchases or sells a commodity futures contract or sells a commodity option, it may sustain a total loss of the initial margin funds and any additional funds that it deposits with its broker to establish or maintain its position. If the market moves against its position, the Investment Fund or Managed Account may be called upon by its broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain its position. If it does not provide the requested funds within the prescribed time, its position may be liquidated at a loss, and it will be liable for any resulting deficit in its account.

Commodity Futures Contracts. Trading in commodity interests may involve substantial risks. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and an Investment Fund or Managed Account may be required to maintain a position until exercise or expiration, which could result in losses. Such illiquidity can be caused by intrinsic market conditions, the interrelationship between or among markets, or extrinsic factors like the imposition of daily price fluctuation limits. Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent an Investment Fund or Managed Account from promptly liquidating unfavorable positions and subject the Investment Fund or Managed Account to substantial losses. In addition, an Investment Fund or Managed Account may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks.

## 12. SJF

### (a) Investment Strategies of SJF

SJF is a limited partnership in which investors will purchase Class A limited partnership units, thereby becoming Class A Limited Partners of SJF. SJF is a fund of funds, investing in underlying mutual funds, exchange-traded funds (“ETFs”), separately managed accounts, hedge funds, private equity funds, real estate funds and venture capital funds (“Underlying Funds”). SJF, by specializing in identifying money management firms with track records that demonstrate the ability to generate attractive rates of return, seeks to achieve long-term above-average returns for its investors while minimizing the risk of capital loss. SJF operates as a fund-of-funds allocating its assets among a diversified group of Underlying Fund managers with proven track records, thereby obtaining diversification and, it is anticipated, lower volatility in overall returns. SJF will access these Underlying Fund managers through individually managed accounts or by investments in funds that they manage. Underlying Funds in which SJF invests may be affiliated with each other by virtue of having the same or an affiliated Underlying Fund Manager. SJF may also invest in Underlying Funds managed by Silvercrest or its affiliates. From time to time, under certain circumstances SJF may invest directly in securities offered by a particular issuer.

By pooling the capital of multiple investors, SJF provides an opportunity to access multiple Underlying Funds and achieve a relatively high degree of diversification. Through this

diversification, SJF can reduce its exposure to any single Underlying Fund manager, and SJF expects to reduce the volatility in its overall portfolio. Underlying Funds may be added or removed from SJF's portfolio from time to time as Silvercrest shall determine.

The investment objective of SJF is to generate rates of return in excess of its benchmarks on a risk-adjusted basis for investors who seek to minimize risk and preserve capital, yet participate in market appreciation. In general, the performance of SJF will be measured against two (2) performance benchmarks: (i) a blended benchmark equal to seventy percent (70%) MSCI All Country World Index and thirty percent (30%) Barclays U.S. Aggregate Bond Index and (ii) a variable benchmark that is periodically adjusted to fit the projected allocation of SJF based on Silvercrest's market outlook. The goal of SJF is to generate returns, net of fees and expenses, which generally exceed these benchmarks on a risk-adjusted basis over a full market cycle of five (5) to seven (7) years.

SJF will have a portfolio that seeks to preserve capital in falling markets while participating in the growth opportunities of rising markets. To do so, SJF will invest in a broad array of asset classes in domestic and foreign markets. To execute its strategy, SJF will utilize mutual funds, exchange traded funds ("ETFs"), separately managed accounts, hedge funds, and/or private equity, real estate and venture capital funds and/or other closed-end funds. Silvercrest will endeavor to seek out attractive risk-adjusted opportunities in all asset classes. While SJF will have a predominantly strategic orientation, Silvercrest may utilize short term tactical tilts on an opportunistic basis. SJF will generally utilize the "endowment" model of investing. This strategy features a broadly diversified portfolio among multiple asset classes that seeks to achieve a risk-adjusted return over a full market cycle. Investors should be long-term oriented and able to withstand periods of short-term volatility. An endowment model portfolio includes strategies that seek to balance both appreciation and preservation of capital.

Silvercrest intends to be forward looking and to adapt its strategy to reflect changing market and economic circumstances. Silvercrest will strive to be early adapters of themes. Silvercrest will seek value opportunities in all asset classes. If conditions warrant, Silvercrest will actively use cash as a risk control strategy. In general, SJF will seek to utilize Underlying Funds whose strategies fit into one of the following categories: Domestic Equities, International Equities, Private Equity, Alternative Investments, Fixed Income/Credit and Real Assets. It is intended that each of the Underlying Funds would be a subset of these broad classes. Silvercrest will endeavor to seek out attractive risk-adjusted opportunities in each of these asset classes.

In addition, SJF may from time to time invest in Underlying Funds sponsored, advised and/or managed by Silvercrest Investors III LLC, the general partner (the "GP"), Silvercrest and/or their respective affiliates (including, without limitation, one or more private equity, real estate, venture capital and/or other closed-end funds (including funds-of-funds) organized by the GP, Silvercrest and/or their respective affiliates in the future (such closed-end funds, "Silvercrest Closed-End Funds")). Limited partners will not pay additional management or similar fees or performance-based fees or allocations on SJF's investment in affiliated Underlying Funds (although such fees or allocations may be paid or made, as applicable, at the partnership level or at the affiliated Underlying Fund level, in the sole and absolute discretion of the GP, Silvercrest and/or its affiliates, as applicable). However, each limited partner will pay its pro rata share of the expenses

of any affiliated Underlying Funds in which SJF invests. There can be no assurance that SJF's investment objective will be met or that SJF will generate any positive returns.

Silvercrest will monitor the performance figures of a large group of investment managers and evaluate them based on total performance and downside loss protection. Silvercrest expects to select Underlying Funds and Underlying Fund managers that satisfy Silvercrest's stringent selection process. Silvercrest intends to select only those Underlying Funds that, in its judgment, are likely to produce superior risk-adjusted returns consistent with SJF's investment objectives. Underlying Funds and Underlying Fund managers will be selected by Silvercrest based on some or all of the following criteria: (a) Performance — The attractiveness and consistency of the investment manager's performance record and the investment manager's potential to outperform the total return of its respective benchmark, or other relevant indices over an extended period of time. Silvercrest intends to undertake extensive analysis of an investment manager's performance record, risk control procedures, as well as administration and compliance infrastructures and will invest only with investment managers who have a demonstrated track record of superior risk-adjusted returns, effective risk management and superior administration and compliance controls to Silvercrest. (b) Risk Controls — The effectiveness, in Silvercrest's judgment, of the Underlying Fund manager's or fund's back office and risk control procedures. (c) Longevity and Reputation — The length of time the investment manager has been employing its investment strategies, either as the Underlying Fund's investment manager or as a portfolio manager generally, and the reputation of the investment manager in the industry. Many investment managers have been operating funds for only a few years or less, but certain investment managers have been in business longer or have used similar investment strategies for other organizations for longer periods of time. (d) Depth of Organization — The number of professionals and support personnel and range of functions employed by the investment manager or Underlying Fund in light of the total assets under management.

Silvercrest generally favors investment managers who have their own capital at risk together with that of investors in their investment programs. Silvercrest believes that through diversification and prudent asset allocation to Underlying Funds, SJF can reduce the risk associated with exposure to any single Underlying Fund manager, reduce the volatility of return in SJF's overall portfolio, and reduce the risk of negative performance. SJF's capital may be allocated among Underlying Funds as Silvercrest shall, in its sole discretion, determine. Silvercrest will monitor the performance of the Underlying Funds and their adherence to stated strategies in order to identify issues at the Underlying Fund manager level, reassess SJF's asset allocation among Underlying Fund managers and trading strategies, and investigate and evaluate new and additional Underlying Funds in the marketplace. Silvercrest's monitoring procedures are expected to include: (a) review of Underlying Fund performance data and comparison to market indices and peer performance; (b) conference calls and periodic on-site visits with Underlying Fund managers; (c) risk monitoring, including exposure aggregation, value-at-risk analysis and peer group analysis; (d) periodic meetings with potential new Underlying Fund managers; (e) periodic verification of Underlying Fund fees, net asset values, and, where applicable, its incentive allocations and distributions; (f) continuous review of the fund universe and Underlying Fund manager performance; and (g) continuous review of asset allocation among Underlying Funds in light of performance, changes in net asset values, and trading styles being employed.



Silvercrest may invest SJF assets that are not currently allocated to an Underlying Fund manager in short term U.S. Government securities, money market accounts, commercial paper and/or other short term interest-bearing instruments. Any income earned from such investments will be reinvested by SJF in accordance with SJF's investment strategies. The investment strategies, approaches, and techniques discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, these investment strategies, approaches, and techniques may not reflect the investment strategies, approaches, and techniques actually employed by SJF or the Underlying Fund managers. Nevertheless, the investments made on behalf of SJF will be consistent with SJF's investment objective.

**SJF'S INVESTMENT PROGRAM ENTAILS SUBSTANTIAL RISKS AND THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVE OF SJF WILL BE ACHIEVED. THE PRACTICES OF SHORT SELLING, LEVERAGE AND OTHER INVESTMENT TECHNIQUES WHICH SJF AND THE UNDERLYING FUND MANAGERS WITH WHICH SJF INVESTS MAY EMPLOY FROM TIME TO TIME CAN, IN CERTAIN CIRCUMSTANCES, MAXIMIZE THE ADVERSE IMPACT OF ADVERSE MARKET CONDITIONS OR EVENTS TO WHICH SJF'S OR THE UNDERLYING FUND MANAGER'S INVESTMENT PORTFOLIO MAY BE SUBJECT. SEE "RISKS," SET FORTH BELOW.**

(b) Risks Associated Specifically with SJF

*Concentration of Holdings by an Underlying Fund Manager.* At any given time, an Underlying Fund's assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In that event, the Underlying Fund's portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or financial or economic market, than a less concentrated portfolio would be. As a result, if an Underlying Fund's investment portfolio becomes concentrated, its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. The Underlying Fund Managers are not obligated to hedge their positions.

*Market Volatility.* The profitability of SJF depends upon the Underlying Fund managers chosen by Silvercrest correctly assessing the future price movements of stocks, bonds, options on stocks, other securities, currencies, regulated futures contracts and other commodities and the movements of interest rates. There can be no assurance that the various Underlying Fund managers selected by Silvercrest will be successful in accurately predicting price and interest rate movements.

*Liquidity.* A substantial portion of the investments made by SJF will lack liquidity. Some of the Underlying Fund managers only permit SJF to withdraw its assets at specified times (i.e., annually, semi-annually or quarterly) and many Underlying Fund managers have the right to suspend the payment of withdrawals under certain circumstances. Furthermore, though it is intended that investments by SJF will be with Underlying Fund managers which invest in securities, commodity futures or other financial instruments traded on listed exchanges, some

may be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). In certain situations, Underlying Fund managers may invest in illiquid investments (including, without limitation, Designated Investments and Follow-Up Investments) which could result in significant loss in value should the Underlying Fund managers be forced to sell the illiquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors.

*Replacement of Underlying Fund Managers or Underlying Funds.* SJF is generally not restricted in appointing or replacing Underlying Fund managers or Underlying Funds. SJF's investments with a particular Underlying Fund manager or Underlying Fund may be replaced for a variety of reasons, such as a more favorable investment opportunity or other circumstances bearing on the desirability of a continued position with such Underlying Fund manager or Underlying Fund. Replacement of Underlying Fund managers or Underlying Funds may involve greater fees, which will be borne by SJF.

*New Managers.* Some Underlying Fund managers may be new or relatively new ventures and have little or no operating history upon which their performance can be evaluated; however, the individuals involved with such Underlying Fund managers will generally have significant industry experience.

*Combination Transactions.* Underlying Fund Managers may engage in spreads, straddles, or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

*Straddles.* In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

*Trend Following.* Some Underlying Fund Managers may use computer models to discern trends by identifying instruments that have deviated significantly from an assumed norm. Trading based on such analyses is subject to the risks that options premiums will not increase or decrease as predicted by the analysis, or that trades dictated by the analysis may not be executed in time to achieve a favorable entry price. This latter risk is likely to materialize when numerous market makers use similar analyses, all of which dictate the desirability of executing identical or similar

contracts. In the past, there have been periods without identifiable trends and, presumably, such periods will continue to occur. Trading models or analyses that depend upon the forecasting of trends will not be profitable if there are not identifiable trends of the kind that an Underlying Fund Manager's models or analyses seek to follow. Any factor which would make it more difficult to execute trades in accordance with the models or analyses signals, such as a significant lessening of liquidity in a particular market, would also be detrimental to profitability.

*Mutual Funds and ETFs.* SJF may invest directly or indirectly in mutual funds and exchange-traded funds ("ETFs"). An investment in an ETF generally presents the same primary risks as an investment in a mutual fund, which includes, among other things, general market risk. Specifically, the value of an investment in an ETF will go up and down with the prices of the securities in which the ETF invests. The prices of securities change in response to many factors, including, without limitation, the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity. In addition, ETFs may be subject to the following: (1) a discount of the ETF's shares to its net asset value; (2) failure to develop an active trading market for the ETF's shares; (3) the listing exchange halting trading of the ETF's shares; (4) failure of the ETF's shares to track the referenced index or basket of stocks; and (5) holding troubled securities in the referenced index or basket of stocks.

*Private Equity and Venture Capital Underlying Fund Risk.* Investments in Underlying Funds pursuing private equity and/or venture capital strategies may expose SJF to certain additional risks related to those strategies, including but not limited to the following:

- **ERISA Constraints.** Certain Underlying Funds may be operating as venture capital operating companies ("VCOCs") so as to avoid the assets of such Underlying Funds being treated as "plan assets" under ERISA. Accordingly, there may be constraints on such an Underlying Fund's investment activities. Specifically, VCOCs must invest a certain portion of their assets in underlying operating companies which provide them certain management rights.
- **Third-Party Involvement.** An Underlying Fund's private equity or venture capital strategies may co-invest with third parties through joint ventures or other structures. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of an Underlying Fund may at any time become bankrupt or have economic or business interests or goals that are inconsistent with those of such Underlying Fund or may be in a position to take action contrary to such Underlying Fund's investment objectives. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the Underlying Fund to make up the shortfall from other sources. SJF may be required to make additional contributions to an Underlying Fund to replace such shortfall, thereby reducing the diversification of its investments. Any default by an Underlying Fund's co-venturer could have an adverse effect on SJF, its assets and the interests of its limited partners. In addition, an Underlying Fund may be liable in certain instances for the actions of its co-venturers or partners.
- **Valuations of the Investments.** Since Underlying Funds pursuing private equity or venture capital strategies typically will invest in assets that are not readily marketable, investments generally will be carried at the values provided to Silvercrest by the

Underlying Funds pursuant to valuation procedures set forth in the organizational documents of such Underlying Funds. These valuation procedures may be subjective in nature, may not conform to any particular industry standard and may not reflect actual values at which investments are ultimately realized.

- **Time Frame.** Underlying Funds pursuing private equity or venture capital strategies are likely to require several years to call and invest their respective capital commitments. Each portfolio company owned by an Underlying Fund pursuing private equity or venture capital strategies (each a “Portfolio Company”) is also likely to take several years to mature to a point where it can be disposed of. Alternatively, to the extent an Underlying Fund invests all of its capital commitments at the same time early in the life of such Underlying Fund, such Underlying Fund’s exposure to market risks may be magnified and its management and other resources may become thinly spread.
- **Control Risks.** In certain situations, an Underlying Fund pursuing private equity or venture capital strategies may acquire only a participation or non-controlling interest in a Portfolio Company, and therefore may not be able to exercise control over the management of such Portfolio Company. In these situations, there can be no assurance that appropriate investor rights will be available to protect SJF’s interest or that such rights will provide sufficient protection of such Underlying Fund’s rights. In certain other situations, the Underlying Fund may take control positions in Portfolio Companies. The exercise of control over a Portfolio Company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations, including securities laws or and other types of liability where the limited liability characteristic of an Underlying Fund may be ignored. Accordingly, SJF would be more likely to suffer losses from an investment in such Underlying Fund.
- **Minority Positions of Underlying Funds.** Underlying Funds pursuing private equity or venture capital strategies which do not have a control position in an underlying Portfolio Company will have less of an ability to affect such underlying Portfolio Company’s operations. Accordingly, such underlying Portfolio Companies may take actions which the Underlying Fund does not believe are in the Underlying Fund’s best interest or follow policies which the Underlying Fund does not believe to be the best course of action for an underlying Portfolio Company.
- **Bridge Financing.** Certain Underlying Funds pursuing private equity or venture capital strategies may provide bridge financing in connection with one or more of their equity investments. As a result, such Underlying Funds will bear the risk of any changes in the capital markets which may adversely affect the ability of such Underlying Fund to refinance any bridge investments. If an
- Underlying Fund were unable to complete a refinancing, such Underlying Fund could have a long term investment in a junior security or that junior security might be converted to equity.
- **“J Curve” Effect.** SJF’s investments in the initial round of funding of an Underlying
- Fund pursuing private equity or venture capital strategies will be more susceptible to the “J curve” effect due to an Underlying Fund’s common practice of paying management fees and start-up costs out of early drawdowns, before the portfolio has had time to recognize value enhancement at its underlying investments. This effect may negatively or positively impact the returns of SJF.

*Real Estate Investment Risks.* There can be no assurance that the Partnership's investments in public and private real estate investments ("Real Estate Investments") will be profitable. Because real estate, like many other types of 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 Real Estate Investments of an Underlying Fund. The marketability and value of real estate depends on many factors beyond the control of Silvercrest or the Underlying Fund managers, including, without limitation: changes in general economic or local conditions; changes in supply of or demand for competing properties in an area (as a result, for instance, of over-building); changes in interest rates; unavailability of mortgage funds which may render the sale or refinancing of a property difficult; the financial condition of borrowers and of tenants, buyers and sellers of property; changes in real estate tax rates and other operating expenses; energy and supply shortages; various uninsured or uninsurable risks; and natural disasters. Underlying Funds may invest in real estate assets located throughout the United States and abroad. There is no limit to the number of investments an Underlying Fund may make in a particular area or region. In the event that there is a high concentration of investments in any particular area or region, an Underlying Fund may be susceptible to unique economic and real estate trends that may negatively impact that area or region.

Underlying Funds may incur environmental liabilities in connection with its ownership of Real Estate Investments. Hazardous substances or wastes, contaminants, pollutants or sources thereof (as defined by state and federal laws and regulations) may be discovered on properties following the acquisition of a Real Estate Investment owned by an Underlying Fund or after a sale thereof to a third party. There can be no assurances that Underlying Funds will not incur full recourse liability for the entire cost of any removal and clean-up, that the cost of such removal and clean-up would not exceed the value of the Real Estate Investment or that an Underlying Fund could recoup any of such costs from any third party. As an owner, such Underlying Fund may also be liable to the tenant and users of neighboring properties. In addition, such Underlying Fund may find it difficult or impossible to sell the Real Estate Investment prior to or following any such clean-up.

*Trading in OTC Markets.* Certain Underlying Fund managers may engage in over the counter ("OTC") derivative transactions, such as currency forward contracts traded in the interbank market; options on currency forward contracts; and swap agreements. In general, there is much less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. An Underlying Fund will be exposed to greater risk of loss through default than if it confined its trading to organized exchanges. The relevant Underlying Fund manager may not have any involvement in the selection of counterparties, and the Underlying Fund managers could enter into OTC transactions with counterparties that are not as established, well-capitalized and creditworthy as Silvercrest may have selected.

*Trading Decisions Based on Fundamental Analysis.* The trading decisions of certain Underlying Fund Managers may be based in part on strategies that utilize fundamental analysis of underlying market forces. Fundamental analysis examines factors that affect the supply and demand for a

particular instrument in an attempt to predict future prices. For example, weather and climate conditions in a particular region affect the supply of agricultural commodities grown in such region, which in turn may have an impact on the price of such commodities. An Underlying Fund may incur substantial trading losses when an Underlying Fund Manager does not have sufficient, correct information regarding the factors affecting the supply and demand for commodities that are being traded; and when fundamental analysis does not enable an Underlying Fund Manager to determine quickly that its previous trading decisions were incorrect.

*Trading Decisions Based on Contrarian Strategies.* The trading decisions of certain Underlying Fund Managers may be based in part on “counter-trend” or “contrarian” strategies that seek to identify future reversals in price trends. An Underlying Fund may incur substantial losses if reversals anticipated by the Underlying Fund Managers do not actually occur.

*Uninvested Capital.* Silvercrest may from time to time invest assets of SJF in high quality short-term instruments such as U.S. Treasury securities because suitable investments for SJF are not then available. It is not possible to determine or even estimate the degree to which SJF’s assets will be “uninvested” from time to time, but the percentage of SJF assets invested in short-term instruments may be high from time to time. Such periods of “uninvestment” may have a negative impact on the SJF’s rate of return.

*New Issues.* Underlying Fund Managers with whom SJF invests may invest in “new issues”, as such term is defined under applicable rules of the Financial Industry Regulatory Authority. Therefore, SJF may have “new issues” income. SJF may only allocate a limited amount of the gains or losses attributable to “new issues” to Class A Limited Partners who are not eligible to fully participate in “new issues”, pursuant to certain exemptions, rather than allocating all such gains or losses only eligible Class A Limited Partners. Class A Limited Partners that are not eligible to fully participate in gains or losses attributable to “new issues” may have an economic disadvantage as compared to those Class A Limited Partners who do participate fully in any gains or losses attributable to “new issues” since SJF’s assets will be used to fund the purchase of “new issues” as to which such Class A Limited Partners may only derive limited benefit.

*Fees and Expenses.* SJF is subject to a “layering” of asset-based or performance-based allocations, fees and expenses. SJF is directly subject to the SJF Class A Management Fee, the SJF Class A Performance Allocation and expenses as discussed herein and is indirectly subject, through its investments with Underlying Fund managers, to both asset-based and performance-based fees or allocations charged by the Underlying Funds, as well as the ongoing expenses of those Underlying Funds. The asset-based fees of the Underlying Fund managers generally are expected to range from one percent (1%) to three percent (3%), and the performance-based allocations or fees of the Underlying Fund managers generally are expected to range from ten percent (10%) to thirty percent (30%) of net income or capital appreciation. An additional “layer” of fees and expenses may be added where SJF invests in a multi-manager structure. Such fees and expenses, in the aggregate, will exceed the fees and expenses that would typically be incurred by an investor making a direct investment in an Underlying Fund. In addition, performance based compensation arrangements may create an incentive for the Underlying Fund managers to make investments that are more risky or more speculative than would be the case if

such arrangements were not in effect. While SJF may from time to time invest in Underlying Funds sponsored, advised and/or managed by the GP, Silvercrest and/or their respective affiliates, including, without limitation, one or more Silvercrest Closed-End Funds, limited partners will not pay additional management or similar fees or performance-based fees or allocations on SJF's investment in such affiliated Underlying Funds (although such fees or allocations may be paid or made, as applicable, at the SJF level or at the affiliated Underlying Fund level, in the sole and absolute discretion of the GP, Silvercrest and/or its affiliates, as applicable). However, each limited partner will pay its pro rata share of the expenses of any affiliated Underlying Funds in which SJF invests.

*Reports to Limited Partners.* Although it is intended that limited partners will receive unaudited performance information at least monthly, as well as annual audited financial reports, as a privately offered investment company, SJF is not required to provide periodic pricing or valuation information to the limited partners. As Silvercrest is relying on CFTC Regulation 4.7(b) with respect to SJF, however, Silvercrest is required to provide investors with the quarterly and annual reports specified by that regulation. Silvercrest may deliver and make account statements and reports, including the account statements and annual reports, if any, that it is required to provide to investors pursuant to CFTC Regulations 4.7(b) and 4.22, in electronic form, such as e-mail or by posting on a website, unless, in the case of the account statements and annual reports provided pursuant to CFTC Regulations 4.7(b) and 4.22, an investor objects, in which case Silvercrest will provide such statements and/or reports to such investor in paper form.

*Additional Classes and Side Letters.* SJF shall have the power to create and establish such other classes of interests having such relative rights, powers and duties as may from time to time be established by the GP, without notice to, or the consent or other approval of, the limited partners. In addition, the GP and/or Silvercrest shall have the power to enter into side letters with one or more limited partners which provide such limited partners with additional and/or different rights than such limited partners have pursuant to the SJF partnership agreement and/or any agreement, instrument or other document executed and/or delivered in connection herewith without notice to, or the consent or other approval of, the limited partners. Limited partners of additional classes and limited partners with side letters may or may not be required to invest different minimum amounts, pay (directly or indirectly) different fees and have certain other terms (including, without limitation, access to information, the ability to withdraw on shorter notice and/or at different times and/or responsibility for expenses) applicable to them that are different than those that are applicable to other limited partners, all as determined by the GP and/or Silvercrest. Neither the GP nor Silvercrest shall be required to notify any or all of the other limited partners of any such additional classes or side letters or any of the rights and/or terms or provisions thereof, nor will the GP or Silvercrest be required to offer such additional and/or different rights and/or terms to any or all of the other limited partners. The other limited partners will have no recourse against SJF, the GP, Silvercrest and/or any of their respective affiliates in the event certain limited partners receive additional and/or different rights and/or terms as a result of any such additional classes and/or side letters. The GP and/or Silvercrest may enter into such side letters with any party as they may determine in their sole and absolute discretion at any time.

*DI Accounts.* SJF may retroactively create (or allocate its interest in a DI Account relating to a Follow-Up Investment to) a DI Account, particularly where the Underlying Fund manager of an

Underlying Fund notifies SJF that it has placed a Designated Investments in separate special account. There is no guarantee that an Underlying Fund manager will send a notice in a timely manner, and a Class A Limited Partner may be subject to additional risks as a result of a discrepancy between the time when the Underlying Fund manager creates (or allocates a Follow-Up Investment to) a separate special account and the time when SJF receives the applicable notice, and retroactively creates (or allocates a Follow-Up Investment to) a DI Account. For example, a Class A Limited Partner that purchases an interest in SJF after an Underlying Fund manager invests in a Designated Investment or Follow-Up Investment but prior to SJF receiving a notice and SJF allocating its interest to a DI Account will not participate in such DI Account despite investing in SJF prior to the receipt of the notice. Conversely, a Class A Limited Partner who makes a withdrawal after an Underlying Fund manager invests in a Designated Investment or Follow-Up Investment but prior to SJF receiving a notice and SJF allocating its interest to a DI Account will not be paid the full amount of the withdrawal proceeds. Further, such Class A Limited Partner's capital account will be subject to liquidity restrictions greater than would be the case had SJF created the DI Account as of a date after the Limited Partner made a withdrawal.

The GP and Silvercrest may not receive sufficient information from an Underlying Fund manager to enable them to make a well informed decision as to whether they will allocate SJF's interest in the Underlying Fund to a DI Account, how large a portion of SJF's interest to allocate or when to make such allocation. Certain Underlying Fund managers may calculate their performance-based fee based on the overall performance of the Underlying Fund during the relevant fiscal period, including the gain or loss on any Designated Investments and Follow-Up Investments (if any) which have been realized or deemed realized during such fiscal period. In such a case, the performance-based fee paid to the Underlying Fund manager with respect to such fiscal period will be treated as an expense of SJF, and each investor in SJF will bear its pro rata share of such fee. This may result in Class A Limited Partners who do not participate in the gain or loss on the related DI Account bearing a portion of the fees as a result of the gain or loss on the Designated Investments and Follow-Up Investments (if any) in such DI Account. Alternatively, an Underlying Fund Manager may calculate its performance-based fee on the gain or loss on the Designated Investments and Follow-Up Investments (if any) at the time such Designated Investments and Follow-Up Investments (if any) are realized or deemed realized, regardless of the overall performance of the Underlying Fund during the relevant fiscal period. In this case, only limited partners who participate in the relevant DI Account will bear such performance-based fee.

13. Silvercrest Jefferson Fund, LTD. ("SJFI") and Silvercrest Jefferson Master Fund, L.P. (the "Master Fund")

(a) Investment Strategies of SJFI and the Master Fund

SJFI, formerly known as Jefferson Global Growth Fund, Ltd., is an exempted company incorporated under the laws of the Cayman Islands on October 13, 2011. SJFI was formed to pool investment funds to be managed by a number of independent investment managers. Prior to August 1, 2014, SJFI had invested all or substantially all of its assets in Jefferson Global Growth Fund, L.P., a Delaware limited partnership. Effective August 1, 2014, SJFI began to invest all or substantially all of its assets in the Master Fund, which is a Cayman Islands exempted limited



partnership formed on July 1, 2014. Silvercrest Investors III LLC, a Delaware limited liability company (the “GP”), is the general partner of the Master Fund, and has sole and complete discretionary authority to manage the Master Fund’s activities. The GP has delegated investment authority over the assets of the Master Fund, to Silvercrest. Silvercrest also serves as the investment manager of SJFI and will manage SJFI’s assets, subject to the policies and control of the board of directors of SJFI (the “Board” or the “Directors”). Marshall Acuff and Palmer Garson serve as portfolio managers of the Master Fund (the “Portfolio Managers”) and have primary responsibility for the day-to-day investment decisions made on behalf of the Master Fund. The GP and Silvercrest also serve as the general partner and investment manager, respectively, of Silvercrest Jefferson Fund, L.P., a Delaware limited partnership formed on July 1, 2014 (the “Domestic Fund”), which will pursue a substantially identical investment strategy as the Master Fund.

The Master Fund’s investment objective is to generate rates of return in excess of its benchmarks on a risk adjusted basis for investors who seek to minimize risk and preserve capital, yet participate in market appreciation. The goal of the Master Fund is to generate returns, net of fees and expenses, which generally exceed these benchmarks on a risk-adjusted basis over a full market cycle of five (5) to seven (7) years. However, no assurance can be given that the Master Fund’s investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly, annual and/or other periodic basis. The Master Fund executes its strategy by allocating substantially all of its assets to a number of independent trading advisers (“Underlying Fund Managers”) through pooled investment vehicles or separately managed accounts (each, an “Underlying Fund”) selected by the Portfolio Managers. The Master Fund may elect to invest a portion of its assets in Underlying Funds such as mutual funds, exchange-traded funds (“ETF’s”) and/or private equity, real estate, venture capital funds and/or other closed-end funds. In addition, the Master Fund may invest in Underlying Funds sponsored, advised and/or managed by the GP, Silvercrest and/or their respective affiliates (including, without limitation, one or more private equity, real estate, venture capital and/or other closed-end funds (including funds-of-funds) organized by the GP, Silvercrest and/or their respective affiliates in the future (such closed-end funds, “Silvercrest Closed-End Funds”). Without limiting the foregoing, as of August 1, 2014, all or substantially all of the Master Fund’s assets began to be invested in the Domestic Fund. The Investment Manager intends that this will change over time, as the Master Fund’s assets increase and/or the Portfolio Managers determine that it is otherwise appropriate for the Master Fund to invest in Underlying Funds directly.

The Master Fund will have a portfolio that seeks to preserve capital in falling markets while participating in the growth opportunities of rising markets. To do so, the Master Fund will invest in a broad array of asset classes in domestic and foreign markets. The Portfolio Managers will endeavor to seek out attractive risk-adjusted opportunities in all asset classes. While the Master Fund will have a predominantly strategic orientation, the Portfolio Managers may utilize short term tactical tilts on an opportunistic basis. The Master Fund will generally utilize the “endowment” model of investing. This strategy features a broadly diversified portfolio among multiple asset classes that seeks to achieve a risk-adjusted return over a full market cycle. Investors should be long-term oriented and able to withstand periods of short-term volatility. An endowment model portfolio includes strategies that seek to balance both appreciation and preservation of capital.

The Portfolio Managers intend to be forward looking and to adapt their strategy to reflect changing market and economic circumstances. The Portfolio Managers will strive to be early adapters of themes. The Portfolio Managers will seek value opportunities in all asset classes. If conditions warrant, the Portfolio Managers will actively use cash as a risk control strategy. In general, the Master Fund will seek to utilize Underlying Funds whose strategies fit into one of the following categories: Domestic Equities, International Equities, Private Equity, Alternative Investments, Fixed Income/Credit and Real Assets. It is intended that each of the Underlying Funds would be a subset of these broad classes. The Portfolio Managers will endeavor to seek out attractive risk-adjusted opportunities in each of these asset classes. In addition, the Master Fund may invest in Underlying Funds sponsored, advised and/or managed by the GP, Silvercrest and/or their respective affiliates (including, without limitation, one or more private equity, real estate, venture capital and/or other closed-end funds (including funds-of-funds) organized by the GP, Silvercrest and/or their respective affiliates in the future (such closed-end funds, “Silvercrest Closed-End Funds”)). Limited Partners will not pay additional management or similar fees or performance-based fees or allocations on the Master Fund’s investment in affiliated Underlying Funds (although such fees or allocations may be paid or made, as applicable, at the Master Fund level or at the affiliated Underlying Fund level, in the sole and absolute discretion of the GP, Silvercrest and/or its affiliates, as applicable). However, each Limited Partner will pay its pro rata share of the expenses of any affiliated Underlying Funds in which the Master Fund invests. There can be no assurance that the Master Fund’s investment objective will be met or that the Master Fund will generate any positive returns.

Silvercrest will monitor the performance figures of a large group of investment managers and evaluate them based on total performance and downside loss protection. Silvercrest expects to select Underlying Funds and Underlying Fund Managers that satisfy Silvercrest’s stringent selection process. Silvercrest intends to select only those Underlying Funds that, in its judgment, are likely to produce superior risk-adjusted returns consistent with the Master Fund’s investment objectives. Underlying Funds and Underlying Fund Managers will be selected by Silvercrest based on some or all of the following criteria: (a) Performance — The attractiveness and consistency of the investment manager’s performance record and the investment manager’s potential to outperform the total return of its respective benchmark, or other relevant indices over an extended period of time. Silvercrest intends to undertake extensive analysis of an investment manager’s performance record, risk control procedures, as well as administration and compliance infrastructures and will invest only with investment managers who have a demonstrated track record of superior risk-adjusted returns, effective risk management and superior administration and compliance controls to Silvercrest. (b) Risk Controls — The effectiveness, in Silvercrest’s judgment, of the investment manager’s or fund’s back office and risk control procedures. (c) Longevity and Reputation — The length of time the investment manager has been employing its investment strategies, either as the Underlying Fund’s investment manager or as a portfolio manager generally, and the reputation of the investment manager in the industry. Many investment managers have been operating funds for only a few years or less, but certain investment managers have been in business longer or have used similar investment strategies for other organizations for longer periods of time. (d) Depth of Organization — The number of professionals and support personnel and range of functions employed by the investment manager or Underlying Fund in light of the total assets under management. Silvercrest generally favors

investment managers who have their own capital at risk together with that of investors in their investment programs.

(b) Risks Associated Specifically With SJFI and the Master Fund

SJFI has a limited operating history and the Master Fund is recently formed and has no operating history. The success of SJFI and the Master Fund depends on the ability and experience of Silvercrest and the Portfolio Managers and there can be no assurance that Silvercrest will generate any gains or profits for SJFI and the Master Fund. In addition, the past performance of Silvercrest and its affiliates is no guarantee of future performance.

The Master Fund may create (or allocate its interest in a DI Account relating to a Follow-Up Investment to) a Master Fund DI Account, particularly where the Underlying Fund Manager of an Underlying Fund notifies the Master Fund that it has placed a Designated Investment in separate special account(s), and Class S Shares will be deemed to be issued on the date of the creation of (or allocation to) the Master Fund DI Account. There is no guarantee that an Underlying Fund Manager will send a notice in a timely manner, and a Shareholder may be subject to additional risks as a result of a discrepancy between the time when the Underlying Fund Manager creates (or allocates a Follow-Up Investment to) a separate special account and the time when the Master Fund receives the applicable notice and creates (or allocates a Follow-Up Investment to) a Master Fund DI Account. For example, a Shareholder that purchases Shares after an Underlying Fund Manager invests in a Designated Investment or Follow-Up Investment but prior to the Master Fund receiving notice, the Master Fund allocating its interest to a Master Fund DI Account and the Company issuing Class S Shares, will not receive any portion of such series of Class S Shares. Consequently, such Shareholder will not participate in such Master Fund DI Account despite investing in the Company prior to the receipt of the applicable notice. Conversely, a Shareholder who makes a redemption after an Underlying Fund Manager invests in a Designated Investment or Follow-Up Investment but prior to the Master Fund receiving a notice, the Master Fund allocating its interest to a Master Fund DI Account and SJFI issuing Class S Shares, will be issued such Class S Shares, and such Shareholder will not be paid the full amount of the redemption proceeds. Further, such Shareholders' Shares will be subject to liquidity restrictions greater than would be the case had SJFI issued Class S Shares as of a date after the Shareholder redeems its Shares. The GP and Silvercrest may not receive sufficient information from an Underlying Fund Manager to enable them to make a well informed decision as to whether they will allocate the Master Fund's interest in the Underlying Fund to a Master Fund DI Account, how large a portion of the Master Fund's interest to allocate or when to make such allocation. Certain Underlying Fund Managers may calculate their performance-based fee based on the overall performance of the Underlying Fund during the relevant fiscal period, including the gain or loss on any Designated Investments and Follow-Up Investments (if any) which have been realized or deemed realized during such fiscal period. In such a case, the performance-based fee paid to the Underlying Fund Manager with respect to such fiscal period will be treated as an expense of the Master Fund, and each investor in the Master Fund (including SJFI) will bear its pro rata share of such fee. This may result in Class A Shareholders who do not participate in the gain or loss on the related Master Fund DI Account bearing a portion of the fees as a result of the gain or loss on the Designated Investments and Follow-Up Investments (if any) in such DI Account. Alternatively, an Underlying Fund Manager may

calculate its performance-based fee on the gain or loss on the Designated Investments and Follow-Up Investments (if any) at the time such Designated Investments and Follow-Up Investments (if any) are realized or deemed realized, regardless of the overall performance of the Underlying Fund during the relevant fiscal period. In this case, only Shareholders who have been issued Class S Shares corresponding to the related Master Fund DI Account will bear such performance-based fee.

SJFI invests, possibly in the future together with certain other entities, all, or substantially all, of its assets through a “master-feeder” fund structure in the Master Fund. A “master-feeder” fund structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Smaller investment vehicles investing in the Master Fund may be materially affected by the actions of larger investment vehicles investing in the Master Fund. For example, if a larger investment vehicle withdraws from the Master Fund, the remaining funds may experience higher pro rata operating expenses, thereby producing lower returns. Substantial withdrawals of capital by investors in the Master Fund, including, but not limited to, SJFI, over a short time period could necessitate the liquidation of interests in Underlying Funds at a time and in a manner which does not provide the most economic advantage to the Master Fund and which therefore could adversely affect the value of the Master Fund’s assets. In addition to its own expenses, SJFI will be responsible for its pro rata share of the organizational, operating and other expenses of the Master Fund. Creditors of the Master Fund may enforce claims against all the assets of the Master Fund, including, without limitation, those invested by SJFI. A potential conflict may arise if the interests of the investors in SJFI and the interests of the investors in other investment vehicles investing in the Master Fund differ regarding tax efficiency (i.e., holding investments longer for preferential capital gains treatment and/or holding investments in pass-through entities directly, rather than through U.S. corporate subsidiaries).

If, in the future, the liabilities of a Class of Shares exceed its assets, creditors of such Class may have recourse to the assets attributable to the other Classes. SJFI has the power to issue Shares in classes or series. The Articles provide for the manner in which the liabilities are to be attributed across the various classes or series (liabilities are to be attributed to the specific class or series in respect of which the liability was incurred). However, SJFI is a single legal entity and there is no limited recourse protection for any class or series. Accordingly, all of the assets of SJFI will be available to meet all of its liabilities regardless of the class or series to which such assets or liabilities are attributable. In practice, cross-class or cross-series liability is only expected to arise where liabilities referable to one class or series are in excess of the assets referable to such class or series and it is unable to meet all liabilities attributed to it. In such a case, the assets of SJFI attributable to other classes or series may be applied to cover such liability excess and the value of the contributing classes or series will be reduced as a result.

Mail addressed to SJFI and received at its registered office will be forwarded unopened to the forwarding address supplied by Silvercrest to be dealt with. None of Silvercrest, its directors, officers, advisors or service providers (including the organization which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address.

Where a subscription for Shares is accepted, the Shares will be treated as having been issued with effect from the relevant Subscription Date. The subscription monies paid by a subscriber for Shares will accordingly be subject to investment risk in the Company from the relevant Subscription Date.

All or any of the class rights or other terms of offer whether set out in the Private Placement Memorandum for the Master Fund, any subscription agreement or otherwise (including, without limitation, any representations, warranties or other disclosure relating to the offer or holding of Shares) (collectively referred to as “Share Rights”) applicable to any Class or series of Shares in issue may be varied (unless otherwise provided by the terms of issue of those Shares and whether or not SJFI is being wound up) without the consent of the holders of the issued Shares of that Class or series, except where such variation would be considered materially adverse to such holders’ Share Rights. For the avoidance of doubt, the Directors reserve the right, notwithstanding that any such variation may not have a material adverse effect, to obtain consent from the holders of such Shares of the relevant Class or series.

14. The Bridge Builder Small/Mid Cap Value Fund (the “Bridge Builder Fund”)

(a) Investment Strategies of the Bridge Builder Fund

The investment objective of the Bridge Builder Fund is to provide capital appreciation. The Bridge Builder Fund invests, under normal market conditions, at least 80% of its net assets (plus the amount of borrowings for investment purposes) in the securities of small and mid capitalization companies and other instruments, such as certain investment companies, that seek to track the performance of securities of small and mid capitalization companies. The Bridge Builder Fund defines small and mid capitalization companies as companies whose market capitalizations typically fall within the range of the Russell MidCap Index and the Russell 2000 Index (as of June 30, 2015, companies with capitalizations less than approximately \$25 billion). While the Bridge Builder Fund primarily invests in equity securities of small and mid capitalization companies, it may also invest in securities of large capitalization companies. The Bridge Builder Fund may invest in securities issued by U.S. and foreign entities, including emerging market entities. The Bridge Builder Fund may invest in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”). The Bridge Builder Fund may also invest in other investment companies, including other open-end or closed-end investment companies and exchange-traded funds (“ETFs”) that have characteristics that are consistent with the Bridge Builder Fund’s investment objective. The Bridge Builder Fund may also invest a portion of its assets in futures and in securities of real estate investment trusts (“REITs”), which are companies that own and/or manage real estate properties. The Bridge Builder Fund follows an investing style that favors value investments. The Fund’s portfolio is constructed by combining the investment styles and strategies of multiple sub-advisers that will be retained by Olive Street Investment Advisers, LLC (each a “Sub-adviser”). Each Sub-adviser may use both its own proprietary and external research and securities selection processes to manage its allocated portion of the Bridge Builder Fund’s assets. Portfolio securities may be sold at any time. Sales may occur when a Sub-adviser seeks to take advantage of what a Sub-adviser considers to be a better investment opportunity, when a Sub-adviser believes the portfolio securities no longer

represent relatively attractive investment opportunities or when a Sub-adviser believes it would be appropriate to do so in order to readjust the asset allocation of the Bridge Builder Fund's investment portfolio. Olive Street is responsible for determining the amount of fund assets to allocate to each Sub-adviser. Olive Street currently allocates fund assets for each investment strategy to the following Sub-Advisers: Vaughan Nelson Investment Management, L.P. ("Vaughan Nelson"); Boston Partners ("Boston Partners"); Silvercrest Asset Management Group LLC ("Silvercrest"); Advisory Research, Inc. ("Advisory Research"); and BlackRock Investment Management, LLC ("BlackRock"). Olive Street may adjust allocations to the Sub-advisers or make recommendations to the Board of Trustees of Olive Street with respect to the hiring, termination, or replacement of the Sub-advisers at any time.

As to its portion of the Bridge Builder Fund, Silvercrest primarily invests in small capitalization companies. These companies typically possess, in the opinion of Silvercrest, one or more of the following attributes:

- Business that results in relatively consistent longer-term earnings and cash flow growth;
- Franchise / asset value that may make the company attractive to potential acquirers;
- Cyclically depressed earnings and/or cash flow that has potential for improvement; or
- A catalyst that will promote recognition of the company's undervalued status.

#### (b) Risks Associated Specifically with the Bridge Builder Fund

Since the Bridge Builder Fund will hold securities with fluctuating market prices, the value of the Bridge Builder Fund's shares will vary as its portfolio securities increase or decrease in value. Therefore, the value of your investment in the Bridge Builder Fund could go down as well as up. You may lose money by investing in the Bridge Builder Fund. The principal risks affecting the Bridge Builder Fund that can cause a decline in value are:

**Active Management Risk.** A significant portion of the Bridge Builder Fund is actively managed with discretion and may underperform market indices or other mutual funds with similar investment objectives.

**American Depositary Receipts or Global Depositary Receipts Risk.** ADRs and GDRs have the same currency and economic risks as the underlying non-U.S. securities they represent. They are affected by the risks associated with non-U.S. securities, such as changes in political or economic conditions of other countries and changes in the exchange rates of foreign currencies.

**Currency Risk.** As a result of the Bridge Builder Fund's investments in securities or other investments denominated in, and/or receiving revenues in, foreign currencies, the Bridge Builder Fund will be subject to currency risk. Currency risk is the risk that foreign currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency hedged. In either event, the dollar value of an investment in the Bridge Builder Fund would be adversely affected.

**Derivatives Risk.** An investment in derivatives (such as futures) may not perform as anticipated by the Sub-advisers, may not be able to be closed out at a favorable time or price, or may increase the Bridge Builder Fund's volatility. Futures may create investment leverage so that when a futures contract is used as a substitute for or alternative to a direct cash investment, the transaction may not provide a return that corresponds precisely with that of the cash investment or when used for hedging purposes, the futures contract may not provide the anticipated protection, causing the Bridge Builder Fund to lose money on both the futures contract and the

exposure the Bridge Builder Fund sought to hedge. Increases and decreases in the value of the Bridge Builder Fund's portfolio may be magnified when the Bridge Builder Fund uses leverage. Futures are also subject to correlation risk, which is the risk that changes in the value of the futures contract may not correlate perfectly with the underlying asset, rate or index. The Bridge Builder Fund's use of futures is also subject to market risk and liquidity risk, each of which is described below.

**Equity Risk.** The value of equity securities will rise and fall over short or extended periods of time in response to the activities of the company that issued them, general market conditions and/or economic conditions.

**Foreign Securities (including Emerging Markets) Risk.** The risks of investing in foreign securities, including those in emerging markets, can increase the potential for losses in the Bridge Builder Fund and may include currency risk, political and economic instability, additional or fewer government regulations, less publicly available information, limited trading markets, differences in financial reporting standards, fewer protections for passive investors and less stringent regulation of securities markets.

**Investment Company and Exchange Traded Fund Risk.** An investment company, including an ETF, in which the Bridge Builder Fund invests, may not achieve its investment objective or execute its investment strategies effectively or a large purchase or redemption activity by shareholders of such an investment company might negatively affect the value of the investment company's shares. The Bridge Builder Fund must also pay its pro rata portion of an investment company's fees and expenses.

**Investment Strategy Risk.** There is no assurance the Bridge Builder Fund's investment objective will be achieved. Investment decisions may not produce the expected results. The value of the Bridge Builder Fund may decline, and the Bridge Builder Fund may underperform other funds with similar objectives and strategies.

**Issuer-Specific Risk.** The value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole.

**Larger Company Risk.** Larger capitalization companies may be unable to respond quickly to new competitive challenges such as changes in technology. They may also not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.

**Liquidity Risk.** Low trading volume, a lack of a market maker, or contractual or legal restrictions may limit or prevent the Bridge Builder Fund from selling securities or closing derivative positions at desirable times or prices.

**Market Risk.** The overall market may perform poorly or the returns from the securities in which the Bridge Builder Fund invests may underperform returns from the general securities markets or other types of investments.

**Multi-Manager and Multi-Style Management Risk.** To a significant extent, the Bridge Builder Fund's performance will depend on the success of the Adviser's methodology in allocating the Bridge Builder Fund's assets to Sub-advisers and its selection and oversight of the Sub-advisers and on a Sub-adviser's skill in executing the relevant strategy and selecting investments for the Bridge Builder Fund. Because portions of the Bridge Builder Fund's assets are managed by different Sub-advisers using different styles, the Bridge Builder Fund could experience overlapping or conflicting securities transactions. Certain Sub-advisers may be purchasing securities at the same time other Sub-advisers may be selling those same securities,

which may lead to higher transaction expenses compared to a fund using a single investment management style.

**New Fund Risk.** The Bridge Builder Fund is new and has less than one year of operating history, and there can be no assurance that the Bridge Builder Fund will be able to maintain an economically viable size.

**Passive Management Risk.** Because the portion of the Bridge Builder Fund allocated to BlackRock is managed so that its total return closely corresponds with that of the Russell 2500 Value Index, the Bridge Builder Fund faces a risk of poor performance if the Russell 2500 Value Index declines generally or performs poorly relative to other U.S. equity indexes or individual stocks, the stocks of companies which comprise the Russell 2500 Value Index fall out of favor with investors, or an adverse company specific event, such as an unfavorable earnings report, negatively affects the stock price of one of the larger companies in the Russell 2500 Value Index.

**Portfolio Turnover Risk.** The Bridge Builder Fund may buy and sell investments frequently. Such a strategy often involves higher transaction costs, including brokerage commissions, and may increase the amount of capital gains (in particular, short term gains) realized by the Bridge Builder Fund. Shareholders may pay tax on such capital gains.

**Real Estate Investment Trusts Risk.** REITs may be affected by changes in the value of the underlying properties owned by the REITs and by the quality of tenants' credit.

**Redemption Risk.** The Bridge Builder Fund may experience losses when selling securities to meet redemption requests. This risk is greater for larger redemption requests or redemption requests during adverse market conditions.

**Regulatory and Judicial Risk.** The regulation of security transactions in the United States is a rapidly changing area of law. Securities markets are subject to legislative, regulatory and judicial actions which could have a substantial adverse effect on the Bridge Builder Fund's performance.

**Smaller Company Risk.** Investments in smaller capitalization companies (including medium capitalization and small capitalization companies) may have greater risks as these companies may have less operating history, narrower product or customer markets and fewer managerial and financial resources than more established companies. Smaller capitalization stocks may be more volatile and have less liquidity.

**Value Style Risk.** The Bridge Builder Fund is managed primarily in a value investment style. Value stocks can perform differently from the market as a whole and other types of stocks and may underperform other types of investments or investment styles.

#### A. Risks and Conflicts of Interest Associated With All of The Funds

In addition to the Fund-specific risks listed above, what follows is a discussion of the risks associated with all of the Funds.

An investment in a Fund is highly speculative and involves a high degree of risk. Investment in a Fund is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in a Fund. No guarantee or representation is made that the Fund will achieve its investment objective or that unit holders will receive a positive return on their capital. The following discusses certain risks and potential conflicts of interest. However, this list is not, and is not intended to be, an exhaustive list or a comprehensive description of the types of risks that any investor in a Fund may encounter, and other risks and conflicts not discussed below may arise in connection with the management and operation of the Fund.



A discussion of the firm's use of broker-dealers is included in *Item 12 - Brokerage Practices*.

## **Business Risks**

**Systemic Risk:** World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in the Designated Managers losing substantial value caused predominantly by liquidity and counterparty issues (as noted above), which could result in a Fund incurring substantial losses.

**Competition:** The securities industry, the various financial markets in which the Designated Managers participate and the varied strategies and techniques engaged in by the Designated Managers selected by Silvercrest are extremely competitive and each involves a high degree of risk. Each Fund and its Designated Managers compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**General Economic Conditions:** The success of any investment activity is affected by general economic conditions, which include the level and volatility of interest rates, credit spreads and equity valuations and the extent and timing of investor participation in the markets for both equities and interest-sensitive instruments. Unexpected volatility or illiquidity in the markets in which SJF (directly or indirectly through Underlying Fund managers) holds positions could cause SJF to incur losses.

**Quantitative Models:** Certain Designated Managers may trade on the basis of non-discretionary mathematical trading models. Generally, such models are programmed to identify investment opportunities based on the occurrence of specified events and/or situations. Should such events and/or situations not occur, the models may not generate any investment opportunities and/or profits. Further, the reliance on a model may cause a Designated Manager to not act on the occurrence of an event and/or situation that would otherwise cause the Designated Manager to act.

**No Separate Counsel:** In almost all cases, the same law firm or firms will act as counsel to Silvercrest and to the Funds. No separate counsel has been retained to act on behalf of limited partners.

Markets in which a Fund and the Sub-Funds may invest are subject to fluctuations, and the market value of any particular investment may be subject to substantial variation. Notwithstanding the existence of a public market for particular financial instruments, such instruments may be thinly traded or may cease to be traded after an investment is made in them. In addition to being relatively illiquid, such instruments may be issued by unstable or unseasoned issuers or may be highly speculative. No assurance can be given that the Fund's investments will appreciate in value.

**Risk of Loss:** An investment in a Fund is speculative and involves significant risk. The profitability of each Fund depends upon Silvercrest and the Sub-Fund Managers correctly assessing the future price movements of the securities, commodities and other financial instruments in which the Sub-Funds invest and the movement of interest rates. These price

movements may be volatile and are subject to numerous factors which are neither within the control of nor predictable by Silvercrest or the Sub-Fund Managers. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events (including, without limitation, natural disasters, acts of terrorism or war) which may affect investments in general or a specific security, commodity or other financial instrument in which the Sub-Funds invests. There can be no assurance that Silvercrest or the Sub-Fund Managers will be successful in accurately predicting price movements. Accordingly, unit holders may incur substantial losses on their investments in a Fund, and it is possible that a Fund's performance will fluctuate substantially from period to period.

**High Risk Investing:** Substantial risks are involved in investing in securities. The prices of many of the securities in which a Fund and the Sub-Funds trade are highly volatile and market movements are difficult to predict. Moreover, the value of the Fund's investment positions may be subject to decreases as a result of general economic conditions and/or adverse effects upon the companies in which a Fund, directly or indirectly, owns securities.

**Short Selling:** A Fund and Sub-Funds may engage in short selling. Short selling involves directly or indirectly selling (or having the equivalent exposure) securities or other instruments which may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace any such borrowed securities at a later date. Short selling allows one to profit from declines in market prices to the extent such decline exceeds the transaction costs and any costs of borrowing. However, if the borrowed assets must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed assets would result in a loss, which is theoretically unlimited in amount. Purchasing assets to close out the short position can itself cause the price to rise further, thereby exacerbating the loss. In addition, there are rules restricting or prohibiting short sales of equity securities in certain situations and market conditions, which may prevent one from executing short sales at the most desirable time. Short strategies can also be implemented synthetically through various instruments, be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. They can also be implemented on a leveraged basis. Lastly, even though a Fund or Sub-Fund secures a "locate" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing that Fund or Sub-Fund to purchase the security at the then prevailing market price which may be higher than the price at which such security was originally sold short.

**Option Transactions:** The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security in excess of the premium payment received.

A Fund and the Sub-Funds may purchase or sell customized options and other derivatives in the over-the-counter market that may have features different from traditional exchange-traded options (in which a Fund or the Sub-Funds may also invest) though they also share the same

risks. These options and derivative instruments may also subject a Fund or such Sub-Funds to risk of default by the counterparty. Investments in these financial instruments may also be subject to additional risks such as interest rate and other risks.

The Funds' or the Sub-Fund's ability to close out a position as purchaser of an exchange-listed option would be dependent upon the existence of a liquid secondary market on an exchange. Among the possible reasons for the absence of a liquid secondary market on an exchange are (i) insufficient trading interest in certain options, (ii) restrictions on transactions imposed by an exchange, (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities, (iv) interruption of the normal operations on an exchange, (v) inadequacy of the facilities of an exchange or similar facility to handle current trading volume or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange would generally continue to be exercisable in accordance with their terms.

**In-Kind Distributions.** There can be no assurance that a Fund will have sufficient cash to satisfy withdrawal requests, or that it will be able to liquidate investments to satisfy such withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances as may be deemed appropriate by the Fund, in consultation with Silvercrest, an investor may receive an in-kind distribution from the Fund. Such distribution may constitute interests in the Underlying Fund, or securities or instruments distributed to the Fund by an Underlying Fund in full or partial satisfaction of the Fund's withdrawal request. Silvercrest may cause the Fund to distribute such securities or instruments directly to investors, or, may create a special purpose vehicle or a liquidating trust to hold such securities or instruments until they can be sold. Such securities and instruments may not be readily marketable or saleable and may have to be held by such investor (or the special purpose vehicle or liquidating trust created to hold such assets) for an indefinite period of time. The risk of loss and delay in liquidating these securities (including any expenses involved in the organization and maintenance of a special purpose vehicle or liquidating trust) will be borne by the investor, pro rata in relationship to its interest in a special purpose vehicle or liquidating trust if such assets are held in a special purpose vehicle or liquidating trust, with the result that such investor may receive less cash than it would have received on the date of withdrawal.

**Leverage:** As stated herein any Fund may borrow and may utilize various lines of credit, swaps, forward purchases and other forms of leverage. In addition, the Sub-Funds may also borrow and utilize leverage. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the value of a Fund's Net Assets will decrease. Accordingly, any event which adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used. Generally, most leveraged transactions involve the posting of collateral. Increases in the amount of margin a Fund or a Sub-Fund is required to post could result in a disposition of that Fund's or Sub-Fund's assets at times and prices which could be disadvantageous to the Fund and could result in substantial losses. To the extent that a creditor has a claim on a Fund or a Sub-Fund, such claim

would be senior to the rights of the Fund, the Sub-Fund and their investors. Leverage may be used in unlimited amounts and the equity base of a Fund or Sub-Fund could be small at times in relation to total assets which could result in the total loss of the Fund or Sub-Fund in extreme circumstances.

Silvercrest may place assets of a Fund or Funds with Underlying Managers by opening managed accounts. Given the leverage at which certain of the Underlying Managers trade, a managed account may expose a Fund to theoretically unlimited liability. In order to limit the liability of a Fund solely to the assets Silvercrest places in a particular managed account, Silvercrest may make managed account allocations through a separate investment vehicle. Other pooled investment vehicles managed by Silvercrest or its affiliates (which may include the General Partner) may also utilize such vehicles to make managed account allocations to limit their potential liability. Silvercrest will bear its proportionate share of the costs and expenses associated with the establishment and ongoing operation of such vehicles.

**Credit Facility:** A Fund may, through one or more credit facilities, repurchase transactions or similar arrangements, directly borrow or otherwise have access to funds. The Fund may, but does not currently intend to, use borrowings for the purpose of making investments. Borrowing may also be used to fund investments with Underlying Fund managers until subscriptions are received or to pay withdrawals which would otherwise result in the premature liquidation of investments, as the case may be. The use of borrowing creates special risks and may significantly increase the Fund's risk. Borrowing creates an opportunity for greater yield and total return, but, at the same time, will increase the Fund's exposure to capital risk and interest costs. If a Fund uses leverage with respect to an investment in an Underlying Fund, any losses would be more pronounced than if leverage were not used, and a relatively small movement in the value of such Underlying Fund may result in substantial losses to the Fund. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the Fund's net worth to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income gains, the Fund's net worth may decrease more rapidly than would otherwise be the case. The Fund will bear all of the costs and expenses incurred in connection therewith, including any interest expense charged on funds borrowed or otherwise accessed. In addition, the lender or counterparty, as the case may be, will have a security interest in, or otherwise acquire, all or a portion of the Fund's assets. In the event that the Fund defaults under any such arrangement, such lender or counterparty will have the right to become or remain the owner of all or that portion of the Fund's assets secured pursuant to such arrangement. If such arrangement is terminated, the Fund's ability to meet its investment objective may be adversely impaired.

**Reserve for Contingent Liabilities.** Under certain circumstances, a Fund may find it necessary to establish a reserve for contingent liabilities or withhold a portion of an investor's withdrawal amount at the time of withdrawal, in which case the reserved portion would remain at the risk of the Fund's activities.

**Limitation of Liability and Indemnification of General Partner and Investment Manager.** Under the law of certain states, a general partner is accountable to the limited partners as a fiduciary and, consequently, is required to exercise good faith and integrity in handling the affairs of the Fund. The partnership agreement and the investment management agreement for the Fund may

provide that the general partner and Silvercrest, as applicable, shall be indemnified against, and shall not be liable for, any loss or liability incurred in connection with the affairs of the Fund, so long as such loss or liability arose from action or inaction not involving any fraud, gross negligence or willful misconduct. In addition, the general partner and Silvercrest shall be indemnified against, and shall not be liable for, the negligence, dishonesty or bad faith of any Sub Fund Manager or affiliate, member, officer, director, employee, broker or agent of the general partner or Silvercrest, as applicable, provided such Sub Fund Manager or affiliate, member, officer, director, employee, broker or agent was selected, engaged or retained with reasonable care. Therefore, an investor in a Fund may have a more limited right of action against the general partner and Silvercrest than it would have had absent these provisions in the partnership agreement and the investment management agreement. In addition, the general partner and Silvercrest are indemnified by each limited partner against certain losses and liabilities as provided in the offering documents. Nothing in those documents shall constitute a waiver or limitation of any rights which a limited partner may have under applicable securities laws.

**Concentration and Non-Diversification of Investments:** Sub-Fund Managers may have overlapping strategies and thus could accumulate large positions in the same or related instruments without Silvercrest's knowledge. Even if known, Silvercrest's ability to avoid such concentration would depend on its ability to reallocate the Fund's capital among existing or new Sub-Fund Managers, which might not be feasible for several months until withdrawals and contributions are permitted by the Sub-Funds. Similarly, the Funds and Sub-Funds have the ability to concentrate their investments by investing a majority of their assets in a few issuers, or a single industry or country. To the extent they do concentrate in any of these ways, the overall adverse impact on a Fund of adverse developments in the business of such issuers, such industry or such country could be considerably greater than if its investments were not concentrated to such an extent.

**Speculative Purchase of Securities:** The Funds and the Sub-Funds make certain speculative purchases of securities of companies believed to be undervalued or that may be the subject of acquisition attempts, exchange offers, cash tender offers or corporate reorganizations. There can be no assurance that securities believed to be undervalued are in fact undervalued, or that undervalued securities will increase in value. Further, in such cases, a substantial period of time may elapse between a Fund's or a Sub-Fund's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Fund's or a Sub-Fund's capital would be committed to the securities purchased, and the Fund or Sub-Fund may finance such purchase with borrowed funds on which it would have to pay interest.

**Swaps:** Investments in swaps involve the exchange by a Fund or a Sub-Fund with another party of all or a portion of their respective interests or commitments. In the case of currency swaps, a party may exchange with another party their respective commitments to pay or receive currency. Use of swaps by a Fund or Sub-Fund subjects such party to risk of default by the counterparty. If there is a default by the counterparty to such a transaction, the Fund or Sub-Fund may have contractual remedies pursuant to the agreements related to the transaction. A Fund or Sub-Funds may enter into currency, interest rate, total return or other swaps which may be surrogates for other instruments such as currency forwards, interest rate options, and equity instruments. The

value of such instruments generally depends upon price movements in the underlying assets as well as counterparty risk.

**Forward Contract Markets:** Designated Managers may trade forward contracts (and options on forward contracts). These securities are not traded on exchanges and are individually negotiated and therefore can be highly illiquid. The principals in forward contract markets are not required to continue to make such markets or to continue to deal in forward contracts of all currencies and/or commodities. In addition, forward contract markets are subject to significant disruptions, including through the intervention of governmental authorities. Therefore, Designated Managers that trade forward contracts may experience liquidity or other problems, and may incur substantial losses on such investments.

**Default and Counterparty Risk:** Some of the markets in which a Fund or the Sub-Funds will effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes the Funds and the Sub-Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund or Sub-Fund to suffer a loss. In addition, in the case of a default, a Fund and the Sub-Fund could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund and the Sub-Fund has concentrated its transactions with a single or small group of counterparties. The Funds do not have, and Sub-Funds are unlikely to have, an internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Funds and the Sub-Fund to transact business with any one or number of 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 Funds.

**Small Companies:** A Fund may invest its assets in Sub-Funds that invest in small and/or less well-established companies and in certain circumstances a Fund may make such investments directly. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. In addition, due to thin trading in some of those stocks, an investment in those stocks may be considered less liquid than an investment in many large-capitalization stocks. When making large sales, a Fund or Sub-Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

**Derivatives:** A Fund may invest its assets directly, or via its investment in Sub-Funds, in complex derivative instruments that seek to modify or emulate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets or specific risks thereof on a leveraged or unleveraged basis which can be equivalent to a long or short position in the underlying asset or risk. These instruments generally have counterparty risk and may not

perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to a Fund than might otherwise be anticipated. These investments are all subject to additional risks that may result in a loss of all or part of an investment, such as interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity. Derivatives may have very high leverage embedded in them which may substantially magnify market movements and result in losses substantially greater than the amount of the investment and which in some cases could represent a significant portion of a Fund's or a Sub-Fund's assets. Some of the markets in which derivative transactions are effected are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the Sub-Funds to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Neither the Funds nor the Sub-Funds are restricted from dealing with any particular counterparty or from concentrating all of its transactions with one counterparty.

**Futures:** Futures markets are highly volatile. To the extent a Fund or Sub-Fund engages in transactions in futures contracts and options on futures contracts, the profitability of such transaction will depend to some degree on the ability of Silvercrest or a Sub-Fund Manager to analyze correctly the futures markets, which are influenced by, among other things, changing supply and demand relationships, governmental policies, commercial and trade programs, world political and economic events and changes in interest rates. Moreover, investments in commodity futures and options contracts involve additional risks including, without limitation, leverage (margin is usually only 5-15% of the face value of the contract and exposure can be nearly unlimited) and credit risk vis-a-vis the contract counterparty. Finally, the U.S. Commodities Futures Trading Commission and futures exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short position which any person may hold or control in particular commodity contracts.

**Futures Commission Merchants.** Futures commission merchants ("FCMs") used by the Underlying Fund Managers are required to segregate the assets of their clients. If an FCM does not properly segregate client assets, the bankruptcy or insolvency of such FCM increases the risk of loss of the Underlying Fund Manager's assets held by the FCM. In addition, in certain circumstances an Underlying Fund Manager faces an increased risk of loss of assets held by an FCM even where assets are properly segregated.

**Convertible Securities:** A Fund or a Sub-Fund may invest in convertible securities. As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. It is possible that the potential for appreciation on convertible securities may be less than that of a common stock equivalent.

Convertible securities may or may not be rated within the four highest categories by Standard & Poor's Ratings Group ("S&P") and Moody's Investor Service ("Moody's") and if not so rated, would not be investment grade. To the extent that convertible securities are rated lower than investment grade or not rated, there would be greater risk as to timely repayment of the principal of, and timely payment of interest or dividends on, those securities.

Securities that are rated BB or lower by S&P or Ba or lower by Moody's are often referred to in the financial press as "junk bonds" and may include securities of issuers in default. "Junk bonds" are considered by the rating agencies to be predominately speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of a Fund's or a Sub-Fund's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared, or the issuer enters into another type of corporate transaction which increases its outstanding securities.

**Preferred Securities:** The Underlying Managers may invest in preferred securities, which may have special risks. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a fund or account of an Underlying Manager owns a preferred security that is deferring its distributions, such fund or account holder may be required to report income for tax purposes even though it has not yet received such income. Some preferred securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. There is no assurance that dividends or distributions on non-cumulative preferred securities in which the Underlying Managers invest will be declared or otherwise made payable or paid. Preferred securities are subordinated to bonds and other debt instruments in an issuer's capital structure in terms of priority to corporate income and liquidation payments and, therefore, will be subject to greater credit risk than more senior debt instruments. Because preferred stock are generally junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of such instruments than senior debt securities with similarly stated yield characteristics. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.

**Sovereign Debt:** The Underlying Managers may invest in debt securities issued by governments and their agencies, including governments of emerging markets. Investing in instruments of government issuers in emerging markets may involve significant economic and political risks. Holders of certain emerging market instruments may be requested to participate in the restructuring and rescheduling of these obligations and to extend further loans to their issuers. The interests of holders of emerging market instruments could be adversely affected in the course of restructuring arrangements. Sovereign debt rated below investment grade by a nationally recognized bond rating organization is regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations.

**Corporate Debt Obligations:** The Underlying Managers may invest in corporate debt obligations, including commercial paper. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). The Underlying Managers may actively expose the Partnership to credit risk. However, there can be no guarantee that the Underlying Managers will be successful in making the right selections and thus fully mitigate the impact of credit risk changes on the Partnership.



**Low Credit Quality Securities:** To the extent a Sub-Fund invests in fixed income securities, such Sub-Fund may be permitted to invest in particularly risky investments that also may offer the potential for correspondingly high returns. Similarly a Fund may invest in such securities. As a result, that Fund or such Sub-Fund may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard which is a prerequisite to an investment in any security and the debt securities may be less than investment grade and may be considered to be "junk bonds" or be distressed or "special situations" with heightened risk of loss and/or liquidity. Such securities may rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of whose debt securities may be secured by substantially all of the issuer's assets. Moreover, a Fund or Sub-Funds may invest in securities which are not protected by financial covenants or limitations on additional indebtedness.

**Analytical Model Risks:** The Funds employ certain strategies which depend upon the reliability, accuracy and analysis of Silvercrest's analytical models. Sub-Funds may also employ similar analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, a Fund may not perform as anticipated, which could result in substantial losses. All models ultimately depend upon the judgment of the individuals and the assumptions embedded in the models. To the extent that with respect to any investment, the judgment or assumptions are incorrect, the effected Fund can suffer losses.

**Liquidity and Valuation:** The Funds and the Sub-Funds may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be more volatile and a Fund or the Sub-Funds, accordingly may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. For example, high-yield securities markets have suffered periods of extreme illiquidity for certain types of instruments in the past. As a result, calculating the fair market value of a Fund's holdings may be difficult.

**Portfolio Valuation:** Because of the overall size and concentrations in particular markets and maturities of positions that may be held by a Fund or Sub-Funds from time to time, the liquidation values of the Fund's or Sub-Funds' securities and other investments may differ significantly from the interim valuations of such investments derived from the valuation methods described herein. Such differences may be further affected by the time frame within which such liquidation occurs. Third party pricing information regarding certain of the Funds' or Sub-Funds' securities and other investments may at times be unavailable. Valuations of the Funds' or Sub-Funds' securities and other investments may involve uncertainties and subjective judgmental determinations and if such valuations should prove to be incorrect the net asset value of a Fund could be adversely affected. In addition, valuations based on models will be affected by assumptions in the models and may not reflect the prices at which positions could, in fact, be covered or sold. Absent bad faith or manifest error, valuation determinations will be conclusive and binding. Silvercrest will be responsible for determining the value of the Funds' assets. Since the value of capital accounts will depend primarily on the value of the Underlying Funds' assets, the management and performance fees charged against capital accounts will be based on these valuations. Silvercrest will calculate the Fund's net worth based largely or entirely on the valuations the Funds receive from the Sub Fund Managers, including Sub Fund Managers that are affiliates of Silvercrest. There is no assurance these valuations will be accurate, and the Sub

Fund Managers, who will receive management fees and incentive compensation based on the values they provide the Fund, will have an incentive to place the highest reasonable value on the assets they manage.

**Amortization of Organizational Costs:** A Fund's financial statements will be prepared in accordance with Generally Accepted Accounting Principles. GAAP does not permit the amortization of organizational costs. Notwithstanding the foregoing, a Fund may amortize its organizational costs over a period of time, and this may result in a qualification in the Fund's independent auditor's report. In the event that A Fund is wound up before such expenses are fully amortized, the unamortized portion of the organizational expenses will be accelerated and debited against the Fund's assets at such time.

**Use of Estimates:** Some limited partners in the Funds of Funds receive: (i) audited annual financial statements, prepared in accordance with GAAP, (ii) unaudited monthly performance estimates, and (iii) a final unaudited monthly performance report. The unaudited financial statements and estimated reports of net asset value will be based partially on estimated and unaudited valuations that the Fund receives from the Underlying Managers. The estimated and unaudited financial data used to determine the applicable net asset value of the Fund will be based on the information available to Silvercrest at the relevant time and such information may not be complete. The Fund's investments generally will not be listed on established exchanges and third-party pricing information generally will not be available regarding the Fund's investments, each of which may make a determination of the fair value of such securities difficult to accurately determine. Valuations of the Fund's investments may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of the Fund could be adversely affected. Silvercrest will have no ability to assess the accuracy of the valuations received from the Underlying Managers. Therefore, the estimated net asset value of the Fund may be significantly higher or lower than the actual net asset value of the Fund as determined based upon audited financial data of the funds advised by the Underlying Managers.

**Portfolio Turnover:** A Fund or the Sub-Funds may engage in frequent trading and thus the Fund's brokerage commission to assets ratio (indirectly through the Sub-Funds) may significantly exceed those of other investment entities.

**Interest Rate Risks:** A Fund and the Sub-Funds may have exposure to interest rate risks. To the extent prevailing interest rates change, it could negatively affect the value of the Fund.

**Non-U.S. Investments:** Investments outside the United States or denominated in non-U.S. currencies pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the U.S. are generally higher than in the U.S. because of the cost of converting a foreign currency to dollars, the payment of fixed brokerage commissions

on some foreign exchanges and the imposition of transfer taxes or transaction charges by non-U.S. exchanges. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the U.S. and there is greater difficulty in 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 Fund's performance.

**Non-U.S. Exchange Risk Exposure:** To the extent a Fund or Sub-Funds do not or are not able to hedge foreign exchange risks, the Fund may be exposed to additional risk due to exchange rate fluctuations. The capital subscriptions to the Funds will be denominated in U.S. dollars. A Fund also may hedge currency exchange risks if it is considered to be economically justifiable. A Fund may attempt within the parameters of currency and exchange controls that may be in effect, to obtain rights to exchange its invested capital, dividends, interest, fees, other distributions and capital gains into convertible currencies. Further, a Fund may incur costs in connection with conversions between various currencies. Foreign exchange rates have been highly volatile in recent years. The combination of volatility and leverage gives rise to the possibility of a large profit or large loss. In addition, there is counterparty risk since currency trading is done on a principal to principal basis.

**Purchases of Interests in Sub-Funds:** There is no assurance that Silvercrest will correctly evaluate the nature and magnitude of the various factors that could affect the prospects of the Sub-Funds. A Fund may lose its entire investment or may be required to accept cash or securities with a value less than the Fund's original investment. Under such circumstances, the returns generated from the Fund's investments may not compensate the unit holders adequately for the risks assumed. Further, a Fund may invest with Sub-Fund Managers who are experiencing a major increase in the assets they manage, which may impair the ability of their strategies and operations to perform up to historical levels. Additionally, Sub-Fund Managers faced with a significant increase in assets to invest may divert from stated strategies into strategies or markets in which they could have little or no experience. This could result in serious losses to the Sub-Funds and, accordingly, a Fund. There is also a risk associated with using multiple Sub-Fund Managers. Because each Sub-Fund Manager will trade independently of the others, the trading losses of some Sub-Fund Managers could offset trading profits achieved by the profitable Sub-Fund Managers. The profitable Sub-Fund Managers would earn incentive fees even though the Fund as a whole may not be profitable. Sub-Fund Managers might also compete for the same investment positions. Conversely, Sub-Fund Managers may take offsetting positions which would result in transaction costs for a Fund without the possibility of profits. Lastly, Silvercrest expects from time to time to change Sub-Fund Managers and the asset allocations among Sub-Funds. Silvercrest is not required to notify investors of such changes. Such changes may result in the loss of any carry-forward benefit if the Sub-Fund Manager is terminated during a carry-forward period. In such a case the replacement Sub-Fund Manager will "start from scratch." Further such changes may occur when a Fund receives additional Capital Contributions from investors at a time when certain Sub-Funds are "closed" to new investment. The new capital would thus have to be allocated to "open" Sub-Funds, which may affect asset allocation in an unintended way. A Fund's success will depend on the Sub-Fund Manager selection and allocation abilities of Silvercrest.

**Corporate Governance:** Corporate governance, internal controls, and operational aspects of Sub-Funds may be immature, not subject to scrutiny or difficult to enforce due to the location of jurisdictions in which such entities are formed or for other reasons. Silvercrest conducts reasonable diligence, but the risk of loss from misbehavior (for example, a Sub-Fund Manager may divert or abscond with the Sub-Fund's assets, fail to follow its stated investment strategies, or issue false reports), fraud, or weak operational controls remains high with respect to Sub-Funds and Silvercrest cannot assure that losses will not result from such events.

**Investment Strategy Risks:** The Sub Funds may pursue various investment strategies, each of which may subject a Fund to significant risk. Such investment strategies may include but are not limited to the following:

**Global Macro:** Global macro strategies include both directional trading and relative value approaches to what are generally short-term allocations of capital. Investment managers utilizing a directional trading approach will take unhedged long or short positions in various markets. Such unhedged investments may expose a Fund to full market risk and are subject to substantial losses. The use of a relative value approach is also subject to the risk of substantial losses because of imperfect correlation of an investment manager's portfolio of long and short positions.

**Long/Short Equity:** Since a long/short equity strategy involves identifying securities which are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of this strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur, or may occur over extended time frames which limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of the portfolio.

**Systematic Trading:** Investment managers using systematic trading strategies take directional positions in commodities, currencies or securities. Such investment managers base their decisions not on fundamental supply and demand factors, economic factors or anticipated events, but rather on technical trading systems involving trend analysis and other factors relating to the market itself. The profitability of such systematic trading depends upon the occurrence in the future of sustained price moves. Investment managers using systematic trading strategies may also exercise some discretion to not take a position that is indicated by their systems or to take a position not indicated by their systems. This may result in such investment managers missing profit opportunities or making unprofitable trades when a more systematic approach would not have done so. On the other hand, rigid adherence to any system could miss opportunities or lead to losses which an exercise of discretion based on analysis of fundamental factors might have avoided.

**Arbitrage Strategies:** The use of arbitrage strategies in no respect should be taken to imply that an investment manager's use of such strategies is without risk. Substantial losses may be recognized on "arbitrage" positions, and illiquidity and default on one side of a position may effectively result in the position being transformed into an outright speculation. Every arbitrage strategy involves exposure to some second order risk of the market, such as the implied volatility

in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same underlying firm. Many such investment managers pursuing arbitrage strategies employ limited directional strategies which expose such investment managers to market risk.

**Statistical Arbitrage:** The success of the investment activities of an investment manager employing statistical arbitrage is heavily dependent on the mathematical models used by the investment manager in attempting to exploit short-term and long-term relationships among stock prices and volatility. Models may have hidden biases or exposure to broad structural or sentiment shifts, and models that have been formulated on the basis of past market data may not be predictive of future price movements. Further, the investment manager may select models that are not well-suited to prevailing market conditions. Finally, the effectiveness of such models tends to deteriorate over time as more traders seek to exploit the same market inefficiencies through the use of similar models.

In the event of static market conditions, statistical arbitrage strategies are less likely to be able to generate significant profit opportunities from price divergences between long and short positions than in more volatile environments. Unusual events specific to particular corporations and major events external to the operations of markets can cause extreme market moves that are inconsistent with the historic correlation and volatility structure of the market.

**Fixed Income Arbitrage:** Fixed income arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks are involved in trading in U.S. and foreign government securities, corporate securities, investment company securities, mortgage-backed and asset-backed securities, commodity and financial futures, options, rate caps, rate swaps and the various other financial instruments and investments that fixed income arbitrage strategies may trade. Substantial risks are also involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate, asset-backed and mortgage-backed securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. Government policies, especially those of the Federal Reserve Board and foreign central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of fixed income arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

**Merger Arbitrage:** Merger arbitrage investments generally could incur significant losses when anticipated merger or acquisition transactions are not consummated. There is typically asymmetry in the risk/reward payout of mergers – the losses that can occur in the event of deal break-ups can far exceed the gains to be had if deals close successfully. For instance, mark-to-market losses can occur intra-month even if a particular deal is not breaking-up and such losses may or may not be recouped upon successful consummation of such deal. Further, the consummation of mergers, tender offers and exchange offers can be prevented or delayed by a

variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political motivations; (iii) industry weakness; (iv) stock-specific events; (v) failed financings; and (vi) general market declines.

Merger arbitrage strategies also depend for success on the overall volume of merger activity which has historically been cyclical in nature. During periods when merger activity is low, it may be difficult or impossible to identify opportunities for profit or to identify a sufficient number of such opportunities to provide diversification among potential merger transactions.

Merger arbitrage strategies are also subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. At any given time, arbitrageurs can become improperly hedged by accident or in an effort to maximize risk-adjusted returns. This can lead to inadvertent market-related losses.

**Convertible Arbitrage:** The success of the investment activities of an investment manager involved in convertible arbitrage will depend on such investment manager's ability to identify and exploit price discrepancies in the market. Identification and exploitation of the market opportunities involve uncertainty. No assurance can be given that an investment manager will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which such investment manager will seek to invest will reduce the scope for the investment manager's investment strategies. In the event that the perceived mispricings underlying such investment manager's positions fail to materialize as expected by such investment manager, the positions could incur a loss.

The price of a convertible bond, like other bonds, changes inversely to changes in interest rates. Hence, increases in interest rates could result in a loss on a position to the extent that the short stock position does not correspondingly depreciate in value. While investment managers typically try to hedge interest rate risk via interest rate swaps and Treasuries, residual interest rate risk can adversely impact the portfolio. The price of convertible bonds is also sensitive to the perceived credit quality of the issuer. Convertible securities purchased by investment managers will decline in value if there is a deterioration in the perceived credit quality of the issuer or a widening of credit spreads and this decline in value may not be offset by gains on the corresponding short equity position.

Convertible bond arbitrage portfolios are typically long volatility. This volatility risk is difficult to hedge since the strike price and often the maturity of the implied option are unknowns. A decline in actual or implied stock volatility of the issuing companies can cause premiums to contract on the convertible bonds. Convertible arbitrageurs are also exposed to liquidity risk in the form of short squeezes in the underlying equities or due to widening bid/ask spreads in the convertible bonds. Liquidity risk can often be exacerbated by margin calls since most arbitrageurs run leveraged portfolios. Convertible arbitrage strategies are also subject to risk due to inadequate or misleading disclosure concerning the securities involved. There have been cases where final prospectuses are different from drafts and important clauses are misinterpreted, both leading to significant losses for arbitrageurs. Also, in the absence of anti-dilution provisions in a convertible security, losses could occur in the event the underlying stock is split,

additional securities are issued, a stock dividend is declared or the issuer enters into another transaction which increases its outstanding securities.

**Asset-Backed Securities:** A Fund or Sub Funds may invest in numerous types of asset-backed securities, including, for example, mortgage-backed securities. Such securities are extremely sensitive to the level and volatility of interest rates.

Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques. Asset-backed securities present certain risks. Primarily, these securities do not have the benefit of the same security interest in the related collateral. For example, credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. As a further example, most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

A Fund or Sub Fund may also invest in mortgage pass-through securities representing participation interests in pools of residential mortgage loans originated by United States governmental or private lenders and guaranteed, to the extent provided in such securities, by the United States government or one of its agencies or instrumentalities. Such securities, which are ownership interests in the underlying mortgage loans, differ from conventional debt securities, which provide for periodic payment of interest in fixed amounts (usually semiannually) and principal payments at maturity or on specified call dates. Mortgage pass-through securities provide for monthly payments that are a "pass-through" of the monthly interest and principal payments (including any prepayments) made by the individual borrowers on the pooled mortgage loans, net of any fees paid to the guarantor of such securities and the servicer of the underlying mortgage loans.

Fund and Sub Fund investments may also include private mortgage pass-through securities that are issued by originators of and investors in mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing. Private mortgage pass-through securities are usually backed by a pool of conventional fixed rate or adjustable rate mortgage loans. Such securities generally are structured with one or more types of credit enhancement.

**Distressed Securities:** A Fund or Sub-Fund may invest in unrated or "distressed" securities, i.e., securities of companies that are experiencing significant financial or business difficulties, including companies involved in debt restructurings, in bankruptcy or other reorganization and liquidation proceedings. A Fund or Sub-Fund may also purchase financial instruments of companies that have low credit quality, and purchase securities and loans that are in default.

Although such investments may result in significant returns, they typically involve a high degree of risk. Among the problems involved in investments in such issuers is the fact that it frequently may be difficult to obtain information as to the conditions of such issuers. Restructurings or reorganizations may fail to be completed or be substantially delayed and expected returns on their securities may never materialize. In addition, a significant period of time may pass between the time at which a Fund or the Sub-Funds make an investment in distressed securities and the time that any such reorganization is completed. During this period, it is unlikely that the Fund or the Sub-Funds will receive any dividend, interest or other disbursements on the distressed securities; the Fund and the Sub-Funds will be subject to significant uncertainty as to such successful completion and the Fund and the Sub-Funds may be required to bear certain expenses to protect its interest in the course of negotiations surrounding any potential reorganization. Furthermore, nonperforming assets by their nature may prove uncollectible or not yield appreciable returns for considerable periods of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in such assets, loans or claims is unusually high. Information necessary to properly evaluate a distress situation may be difficult to obtain or be unavailable and the risks attendant to a transaction may not necessarily be identifiable or susceptible of considered analysis at the time of investment. There is no assurance that a Fund or any Sub-Fund will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or rehabilitation of a distressed asset or adequate realization upon such assets and claims. The Funds' and the Sub-Funds' performance may be substantially impaired by unsuccessful distressed or low credit investments.

**Market Dislocation and Illiquidity:** Recent events in the sub-prime mortgage market and other areas of the fixed income markets in the United States have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets. These events have had repercussions on the global financial markets, including the markets in which the Sub-Funds trade and invest, by restricting the availability of credit generally, and reducing liquidity levels across virtually all markets globally. The foregoing events could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of the Sub-Funds' investments. Such marketplace events also may restrict the ability of the Sub-Funds to sell or liquidate investments at favorable times and/or for favorable prices and/or cause the Sub-Funds to have limited access to credit. The Sub-Funds may be adversely affected by a decrease in market liquidity (e.g., by impairing the Sub-Funds' ability to adjust its positions and risk in response to trading losses or other adverse developments). The size of Sub-Fund positions may magnify the effect of a decrease in market liquidity for the instruments traded. Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect the Sub-Funds' positions.

**Emerging Markets:** Investing in emerging market securities involves certain risks and special considerations not as typical of other more established economies or securities markets. Such risks may include (a) the risk of nationalization or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war; (c) dependence on exports and the corresponding importance of international trade and commodities prices; (d) less liquidity of securities markets; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) controls on foreign investment and limitations



on repatriation of invested capital and the ability of the Funds that invest in these markets (SIF, SEMF, and SEMFI) to exchange local currencies for U.S. dollars: (h) a higher degree of governmental involvement in and control over the economies; (i) government decisions to discontinue support for economic reform programs and imposition of centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (k) less extensive regulatory oversight of securities markets; (l) longer settlement periods for securities transactions; and (m) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (n) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

**Foreign Economies:** The economies of individual foreign countries may differ favorably or unfavorably from the United States economy in certain respects such as growth of gross domestic product or gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. In addition, securities traded in certain emerging foreign securities markets may be subject to risks resulting from the inexperience of financial intermediaries, the lack of modern technology, the lack of a sufficient capital base to expand business operations and the possibility of permanent or temporary termination of trading and greater spreads between bid and asked prices for securities in those markets. Business entities in certain foreign countries may also lack recent histories of operating in market-oriented economies, and the effect of the attempts of certain foreign countries to move toward more market-oriented economies is currently unclear. Nationalization, expropriation or confiscatory taxation, restrictions on the repatriation of currency, political changes, government regulation, social instability or diplomatic developments could also affect adversely the economy of a foreign country or a Fund's investments in that country.

**Investment in Medium Cap, Small Cap and Micro Cap Companies:** At any given time, through the investment vehicles and managed accounts to which the Partnership will allocate its funds, the Partnership will have significant investments in small cap and micro cap companies, some of which may be of a less seasoned nature or have securities that may be traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies. In addition to being subject to the general market risk that common stock prices may decline over short or even extended periods, the Partnership may invest in securities of companies that are not well-known to the investing public, may not have significant institutional ownership and may have cyclical, static or only moderate growth prospects. The stocks of such companies may be more volatile in price and have lower trading volumes than the larger capitalization stocks included in the S&P 500 Index. Accordingly, investors in the Partnership should have a long-term investment horizon.

The Underlying Managers chosen by the Investment Manager may employ a more aggressive approach to investing that involves a substantially higher than average portfolio turnover rate. In addition, the Partnership will be invested in many small cap and micro cap securities that are followed by relatively few securities analysts, with the result that there tends to be less publicly available information concerning the securities compared to what is available for exchange-listed or larger companies. The securities of these companies may have limited trading volumes and be subject to more abrupt or erratic market movements than the securities of larger, more established companies or the market averages in general, and the managers chosen by the

Partnership may be required to deal with only a few market-makers when purchasing and selling these securities. Transaction costs in small cap and micro cap stocks may be higher than in those of larger capitalization companies. Companies in which the Partnership is likely to be invested also may have limited product lines, markets or financial resources and may lack management depth and may be more vulnerable to adverse business or market developments. Thus, the Partnership may involve considerably more risk than a fund investing principally in the more liquid equity securities of companies traded on the New York or American Stock Exchanges.

## **Management Risks**

**Conflicts of Interest:** Conflicts of interest exist in the structure and operation of the Funds' business. The fees which Silvercrest is entitled to receive as investment advisor may be higher than the fees which another investment advisor might charge. Silvercrest, however, believes such fees are justified in light of the structure of the Funds, the investment programs and each investor base.

Silvercrest, its principals, affiliates and members, officers, directors and employees may trade in securities and other instruments suitable for a Fund only if such transactions are consistent with applicable law. If a Fund, Silvercrest, its principals, affiliates and members, officers, directors and employees trade in certain securities on the same day, Silvercrest, its principals, affiliates and members, officers, directors and employees will not receive a better price than that Fund. Silvercrest may act as investment advisor, sponsor, manager, managing member or general partner for other clients, accounts and collective investment vehicles and may give advice, and take action, with respect to any of those clients, accounts and collective investment vehicles that may differ from the advice given, or the timing or nature of action taken, with respect to a Fund. Where there is limited access to an investment opportunity, Silvercrest uses its best efforts to allocate or rotate investment opportunities in a manner deemed equitable, but cannot assure, and assumes no responsibility for, equality among all accounts and clients. Silvercrest, its principals, affiliates and members, officers, directors and employees may engage in transactions or investments or cause or advise other clients to engage in transactions or investments that may differ from or be identical to the transactions or investments engaged in by or for the account of a Fund. Silvercrest has no obligation to engage in any transaction or investment for the account of a Fund or to recommend any transaction to a Fund that Silvercrest or its principals, affiliates or any of their principals, affiliates and members, officers, directors or employees may engage in for their own accounts or the account of any other customer, except as otherwise required by applicable law. To the extent permitted by law, Silvercrest is permitted to bunch or aggregate orders for the account of a Fund with orders for other accounts, notwithstanding that the effect of such aggregation may operate to the disadvantage of that Fund.

The Sub-Funds and their managers also could be subject to various conflicts of interest, which could be resolved to the detriment of a Fund. For example, a Sub-Fund Manager might favor its proprietary trading over its trading for the Sub-Fund. In addition, a portion of a Fund's assets may be invested in Sub-Funds managed by Silvercrest or its affiliates. In such cases, Silvercrest will waive the performance and management fees from the Fund with respect to such assets and will receive instead the incentive allocation and management fee charged by the Sub-Fund, which may be higher than those charged by the Fund.

Managers used by the Sub-Funds have responsibility for investing the funds allocated to them. The Sub-Fund managers also manage other accounts (including other accounts in which the Sub-Fund managers may have an interest) and may have financial and other incentives to favor such accounts over a Fund. In investing on behalf of other clients, as well as the Fund, Sub-Fund managers must allocate their resources, as well as limited market opportunities. Doing so not only could increase the level of competition for the same trades that otherwise might be made for the Fund, including the priorities of order entry, but also could make it difficult or impossible to take or liquidate a particular position at a price indicated by a Sub-Fund manager's strategy.

**Reliance on Key Individuals:** If Silvercrest should lose the services of certain members of its investment team, its ability to perform its responsibilities will be impaired. Investors will have no special withdrawal rights in such event. In addition, a Sub Fund Manager may rely on the service of certain key personnel. The loss of the services of such personnel may impair a Sub Fund Manager's ability to perform its responsibilities and could result in a Fund liquidating its interest with such Sub Fund Manager.

**Lack of Transferability of Units:** The units of the Funds have not been registered under the securities laws of any jurisdiction and are subject to restrictions on transfer. Units are not assignable or transferable without the prior consent of Silvercrest, which consent may not be unreasonably withheld. It is not expected that any market for the units will develop.

**Effect of Performance Fees:** Performance Fees may motivate Silvercrest to make riskier or more speculative investments than it would otherwise make in the absence of such allocation. Performance Fees will include amounts in respect of any unrealized appreciation in a Fund's investments.

**Dependence on Silvercrest:** All decisions with respect to the trading activities of the Funds are made exclusively by Silvercrest, where applicable. Investors will not have the opportunity to evaluate fully for themselves the relevant economic, financial, and other information regarding the Fund's investments. Investors are dependent on Silvercrest's judgment and abilities. Accordingly, no person should purchase Units unless he or she is willing to entrust all aspects of the trading activities of a Fund to Silvercrest.

**Limited Management Rights:** Subject to certain limited rights of the investors all as set forth herein, and certain other limitations imposed by law, Silvercrest has full, exclusive and complete authority to implement each Fund's objective. The units are non-voting and do not permit the unit holders to vote on any matters except as set forth herein.

**Independence of Sub-Fund Managers:** The Funds do not presently, and do not expect in the future to, control any of the Sub-Fund Managers, their choice of investments and other investment decisions, all of which will be totally within the control of such Sub-Fund Managers. The investments of the Funds are made pursuant to written disclosures from and/or agreements with the Sub-Fund Managers which usually provide, among other things, guidelines by which each Sub-Fund Manager will trade for the applicable Sub-Fund. Thus, while each Sub-Fund Manager undertakes to follow specified trading strategies, the written disclosures and/or agreements discussed above typically provide the Sub-Fund Managers with broad discretion to modify their trading strategies and therefore it is possible that a Sub-Fund Manager could deviate

from its trading strategies, which deviation could result in, among other things, a less profitable trading strategy or a riskier approach that could lead to a loss of all or part of a Fund's investment with such Sub-Fund Manager. Furthermore, Sub-Fund Managers invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Sub-Fund Managers do, in fact, hold such positions, that Fund, considered as a whole, cannot achieve any gain or loss despite incurring fees and expenses. In addition, while currently neither Silvercrest nor any of its affiliates own any equity interests in any of the Sub-Fund Managers, it is possible that one or more of the affiliates of Silvercrest will in the future acquire non-controlling interests in one or more of the Sub-Fund Managers.

**Capacity of Sub-Fund Managers:** Sub-Fund Managers may limit the amount of assets or the number of accounts that they will manage. To the extent the aggregate amount of assets in a Sub-Fund exceeds the amount deemed by the Sub-Fund Manager, in its sole and absolute discretion, to be the ideal amount to be invested in the applicable investment strategy utilized by such Sub-Fund, the returns of such Sub-Fund may be negatively impacted due to the inability of such Sub-Fund Manager to effectively manage the excess capacity in such Sub-Fund. Due to the fact that some Sub-Funds with superior returns are "closed" to new investment, Silvercrest may seek to convince Sub-Fund Managers operating otherwise "closed" Sub-Funds to accept an investment from a Fund. If, due to capacity constraints, Silvercrest is unable to invest with a particular Sub-Fund Manager or in a particular Sub-Fund, or is unable to invest the amount it would otherwise like to invest, a Fund may be unable to achieve its investment objective.

**Proprietary Investment Strategies:** Sub-Fund Managers may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to Silvercrest or the Fund. These strategies may involve risks under some market conditions that are not anticipated by Silvercrest or the Fund. The Sub-Fund Managers generally use investment strategies that are different than those typically employed by traditional managers of portfolios of stocks and bonds and may involve significantly more risk and higher transaction costs than more traditional investment methods. Additionally, it is possible that the performance or the specific investments of the Sub-Fund Managers may be closely correlated to each other in some market conditions, resulting (if those returns are negative) in significant losses to the Funds and the unit holders thereof.

**New Strategies:** Investment strategies used by Sub-Fund Managers may not have been in existence during periods of major market stress, disruption or decline of the type that may be experienced in the future. As a result, it is not known how these strategies will perform in adverse market conditions.

**Compensation Arrangements with the Sub-Fund Managers:** Sub-Fund Managers may receive incentive compensation from the Funds based on the performance of their portfolios. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation may be calculated on a basis which includes unrealized appreciation of the Funds' assets, such performance-based compensation may be greater than if such compensation were based solely on realized gains. It is possible that certain Sub-Fund Managers may receive incentive compensation, even though the specific Fund, as a whole, does not have net capital appreciation. Additionally, Sub-Fund Managers may receive incentive

compensation prior to the expiration of the lock-up period, if any, relating to a Fund's capital contribution to the Sub-Fund managed by such Sub-Fund Manager and may be so even in cases where there was no aggregate gain at the end of such lock-up period.

**Fraudulent Activities:** There is a risk that a Sub-Fund Manager may knowingly, negligently or otherwise withhold or misrepresent information regarding the performance of the Sub-Fund Manager or the Sub-Funds including, without limitation, the presence or effects of any fraudulent or similar activities ("Fraudulent Activities"). A Fund's performance of its monitoring functions would generally not give the Fund the opportunity to discover such situations prior to the time the Sub-Fund Manager discloses (or there is public disclosure of) the presence or effects of any Fraudulent Activities. Accordingly, a Sub-Fund Manager could engage in Fraudulent Activities and Silvercrest cannot guarantee that it will have the opportunity or ability to protect the Fund from suffering a loss because of a Sub-Fund Manager's Fraudulent Activities.

**Costs:** Some of the strategies and techniques employed by Sub Fund Managers require frequent trades to take place and, as a consequence, portfolio turnover and brokerage commissions may be greater than for other investment entities of similar size.

## **Fund Risks**

**Fund Not Registered:** No Fund is registered as an "investment company" under ICA in reliance upon Section 3(c)(1) thereof. In addition, it is expected that the pooled investment vehicles in which Silvercrest will invest Fund assets will be exempt from registration under the ICA under Section 3(c)(1) or Section 3(c)(7) thereof. Accordingly, the provisions of the ICA (which, among other matters, require investment companies to have a majority of disinterested directors and regulate the relationship between the adviser and the investment company) will not be applicable. The ICA provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to any Fund.

**Operating Deficits:** The expenses of operating a Fund (including management fees) could exceed its income. This would require that the difference be paid out of the Fund's capital, reducing the Fund's investments and potential for profitability.

**Limited Right of Redemption:** Unit holders are typically restricted from making a full or partial withdrawal from a Fund until the last Business Day of each calendar quarter, on or following the first anniversary with respect to the purchase of such units, on at least ninety (90) calendar days prior written notice to a Fund. However, such a redemption may not be immediately possible due to the temporary inability of the Fund to redeem its capital from the Sub-Funds in order to satisfy the requested redemption without adversely affecting non-redeeming unit holders. It is possible that one or more large withdrawals by one or more investors could result in a Fund liquidating interests with certain Sub Fund managers. This could result in the reduction of the diversification of the Fund's assets. Under certain limited circumstances, the Fund may suspend the payment of withdrawals. Withdrawals generally will be paid by a Fund based on estimated unaudited financial data. In the event that there is a subsequent adjustment to the estimated unaudited financial data that was originally used to calculate the withdrawal amount, generally such adjustment will be reflected in the calculation of the net worth attributable to Fund interests as of the next succeeding business day on which the net worth is determined. As a result, the

withdrawing investor may receive more or less than such withdrawing investor would be entitled to receive based on the adjusted estimated unaudited financial data and other applicable investors will absorb the excess or deficiency resulting therefrom.

**Involuntary Redemption of Units:** Silvercrest may redeem all or part of the units of any investor in any Fund at any time, on five (5) calendar days notice for any or no reason, including if Silvercrest determines that the continued ownership by such investor of units in a Fund would be detrimental to that Fund such as by involving the Fund or any investor in litigation or causing the Fund to be required to register under the ICA.

**Limited Operating History:** The Funds have limited operating histories upon which potential investors may evaluate its likely performance.

**General Business and Regulatory Risks of Hedge Funds:** Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect that Fund. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Sub-Funds and the ability of a Fund and the Sub-Funds to pursue its investment strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. For all securities and commodities, including options and regulated futures contracts listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances, including the right to impose position limits and price limits on persons or groups of persons. Such suspensions or limits could render certain strategies difficult to complete or continue and subject SJF to loss. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on a Fund could be substantial and adverse.

**Risk of Litigation:** From time to time, a Fund and/or a Sub-Fund may be named as a defendant in a lawsuit or regulatory action. As a result of such action, the assets of that Fund and/or Sub-Fund may be frozen, and the Fund may not be able to liquidate its investments. In certain cases, a Fund may be called on to testify and/or provide information (including, without limitation, a list of unit holders) in connection with such lawsuit or regulatory action. A Fund may also be named as a defendant in the lawsuit or regulatory action. Litigation and regulatory actions can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

**Changes in Applicable Law:** The Funds must comply with various legal requirements, including, without limitation, requirements imposed by the commodities laws, tax laws and pension laws in various jurisdictions. Should any of those laws change, the legal requirements to which the Funds and the unit holders may be subject could differ materially from current requirements.

### **III. Material Risk of Loss Involved in All Product Types and Strategies**

Investing in securities involves risk of loss that clients should be prepared to bear. All investments in securities include a risk of loss of your principal (invested amount) and any

profits that have not been realized (the securities were not sold to “lock in” the profit). Stock markets, bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets.

The computer systems, networks and devices used by us and service providers to us to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A Client and its investors could be negatively impacted as a result of an information security breach.

These breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Information security breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; interference with our ability to calculate the value of an investment in a client; impediments to trading; the inability us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from breaches affecting issuers of securities in which a client invests; counterparties with which a client engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any information security breaches in the future.

## **ITEM 9 – DISCIPLINARY INFORMATION**

We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

We do not have any legal, financial or other “disciplinary” item to report to you.

This statement applies to our Firm, and every employee.



## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Affiliations

Silvercrest, itself or through an affiliate, also provides "Family Office Services" including asset allocation, budgeting, bill paying, record keeping, maintenance of domestic payroll, financial and tax planning, tax return preparation and payments and other related service.

Silvercrest is not affiliated with any broker-dealer.

Silvercrest is the Investment Adviser to the Funds, and Silvercrest or a Silvercrest affiliate is the general partner or managing member of the Funds. When appropriate, and commensurate with its fiduciary duty, Silvercrest may recommend that a client invest in one or more of the Silvercrest funds. In such instances, the client will be given a private placement memorandum and such investment will only be made with the client's prior approval.

For a discussion of conflicts of interest associated with Silvercrest's management of the Funds, see *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*, Section II (*The Funds*), subsection B, entitled Risks and Conflicts of Interest Associated With All of The Funds under the heading **Management Risks**.

Silvercrest is registered with the Commodity Futures Trading Commission as a Commodity Pool Operator and Commodity Trading Advisor, and is a member of the National Futures Association ("NFA"). Peter Tobeason, J. Allen Gray, Michael Dubin, Palmer P. Garson, and Richard R. Hough III are registered with the NFA as associated persons of Silvercrest. The Richmond, Virginia office of Silvercrest is registered with the NFA as a Branch Office and Palmer P. Garson is registered with the NFA as the Branch Manager.

### Outsourced Managers

For clients who seek a level of portfolio diversification beyond Silvercrest's proprietary investment capabilities, we have put in place a number of "outsourced" investment capabilities designed to complement those of Silvercrest. We have retained sub-advisors in certain strategies including large-cap, mid-cap and small-cap growth equity strategies, international equity strategies and high-yield bond strategies. In each case we have identified managers with a proven record of success in their niche and we have negotiated attractive fee discounts with these managers on behalf of our clients. We also offer our clients investments in hedge funds, funds of funds, private equity and real estate. We can assist them in the customization of separately managed alternative investment portfolios and individual direct investments in these alternative strategies. Any such investments are made on a non-discretionary basis. There is available an unlimited variety of investment strategies and an unlimited variety of associated risks.

The fees paid by clients in these instances depend on the third-party manager, but generally fall into one of two structures:

- Managers of private partnerships (funds) or separately managed accounts with which Silvercrest has a written agreement by which the fund manager agrees to charge its standard management fee (as well as any incentive fee), but reimburse Silvercrest for its fee for those assets, since Silvercrest waives its fee as to the assets invested in the fund by the client.
- Managers of private partnerships (funds), separately managed accounts, or registered investment companies (mutual funds) that may or may not charge the client a reduced management fee (as well as any incentive fee). In these cases, the client will pay the fund manager's fee and incentive fee, and may also pay Silvercrest's fee for management of the same assets.

The applicable fee structure is typically disclosed to the client in writing by Silvercrest at the outset of the relationship, the outset of the investment, or both. In theory, this payment by the third party manager could create a conflict of interest and an incentive to direct assets to the third party manager.

### **Solicitors**

From time to time, Silvercrest deems it to be in the best interests of the firm and its clients to engage a third party (a "Solicitor") to introduce clients to Silvercrest. A discussion of conflicts associated with Solicitors is included in *Item 14 - Client Referrals and Other Compensation*.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

Silvercrest is committed to conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business conduct, and to full and accurate disclosure in compliance with applicable law.

The firm's Code of Conduct and Ethics sets forth general standards and specific policies to guide Associated Persons in the performance of their duties, including: the laws applicable to our business, conflicts of interest, inside and proprietary information, securities trading by Silvercrest employees, It also refers to additional policies and procedures published by the Firm and defines terms used therein.

A copy of the firm's Code of Conduct and Ethics is available and will be provided to the firm's clients upon request.

### **Employee Investments**

In many (but not all) cases, Silvercrest employees are invested in the same strategies and same securities as its clients and Silvercrest may recommend to its clients securities which are held by Silvercrest or its principals, affiliates or employees. Silvercrest recognizes that the personal investment transactions of its members and employees demand the application of a high code of ethics, and the applicant will require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, Silvercrest believes that if investment goals are similar for clients and for members or employees of Silvercrest, it is logical and even desirable that there be a common ownership of some securities.

Employees and principals of Silvercrest may hold or effect transactions in securities held by advisory accounts. Any personnel with knowledge of Silvercrest's investment advisory operations that wish to deal in such securities are required to do so in a manner not detrimental to advisory clients. Employees and principals and their related accounts who are also clients of Silvercrest are given no advantage in terms of execution or allocation of purchases and sales of securities over the firm's clients who are not employees or principals. No security may be bought or sold by a principal, affiliate or employee of the applicant in an account not managed by Silvercrest before advisory clients' accounts have had the opportunity to make such transactions as are appropriate. All trades by a principal, affiliate or employee require prior approval and are reviewed by Silvercrest's compliance officer. Silvercrest reviews the personal investments of its employees to ensure compliance with these policies. A number of principals have accounts managed by Silvercrest and these accounts are managed as client accounts. Generally, a reduced fee is applied to such accounts.

### **The Funds**

Silvercrest is the Investment Advisor to the Funds, and Silvercrest or a Silvercrest affiliate is the general partner or managing member of the Funds. When appropriate, and commensurate with its fiduciary duty, Silvercrest may recommend that a client invest in one or more of the Silvercrest funds.

For a discussion of the conflicts of interest associated with Silvercrest's management of the Funds, see *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*, Section II (*The Funds*), subsection B, entitled Risks and Conflicts of Interest Associated With All of The Funds under the heading **Management Risks**.

## **ITEM 12 – BROKERAGE PRACTICES**

### **Selection of Executing Broker-Dealers**

#### **(a) Best Execution**

Silvercrest uses brokers that are selected on the basis of their ability to execute a particular trade in a timely and cost-effective manner. Silvercrest relies on its professional traders to direct transactions to a particular broker-dealer based on these factors. In determining the reasonableness of the commissions to be paid to its brokers, Silvercrest looks at several variables including the difficulty of the trade and the quality of research and other services provided by the broker. Such research and services include among other things, quotes, charting, database services, market and corporate research, transcription services, and valuations.

Silvercrest is required by applicable law, rule and regulation to seek to obtain the best price and execution quality of client securities transactions. Such execution should strive to minimize the client's total cost or maximize the proceeds (as applicable) while achieving the highest quality execution under the circumstances. Silvercrest considers many factors in seeking best execution, only one of which is the actual commission rate or price paid. Best execution is a qualitative, not a quantitative, standard and traders must apply qualitative judgment rather than apply an objective calculation.

In determining best execution, the trader may consider some or all of the following factors:

- Market impact of the trade
- Total cost of the execution
- Competitiveness of commission rates and spreads
- Size of the order
- Broker's ability to execute block trades
- Broker's ability to deliver the security being purchased
- Broker's ability to execute in a volatile market
- Liquidity of the security
- Whether the transaction is spread out among different brokers
- Gross compensation paid to each broker-dealer
- Commitments of capital by broker-dealers
- The broker-dealer's operations capabilities
- How the execution compares relative to experience of the marketplace
- Cost trends
- Availability of alternative electronic crossing networks
- The account's investment strategy and objectives
- The nature of difficulty of the trade
- The price of similar securities

(b) Research and Soft Dollars

Section 28(e) of the Exchange Act provides a “safe harbor” to an investment adviser against claims that it breached its fiduciary duty under state or federal law (including ERISA) solely because the adviser caused its clients’ accounts to pay more than the lowest available commission for executing a securities trade in return for brokerage and research services. Because brokerage and research services acquired in this manner do not involve actual payments by the adviser out of its own pocket, this use of client commission dollars has become known as a “soft-dollar arrangement”. In recent years, the term “soft-dollar arrangements” has been used by some to refer only to those cases where the broker-dealer is providing third-party services. However, the term is meant to apply to such research and proprietary research and brokerage services provided by the broker-dealer through whom the trade is being placed.

To rely on the safe harbor offered by Section 28(e), two conditions must be satisfied: 1) Silvercrest must make a good-faith determination that the amount of commissions is reasonable in relation to the value of the brokerage and research services being received; and 2) the brokerage and research services must provide lawful and appropriate assistance to Silvercrest in carrying out its investment decision-making responsibilities. Silvercrest requires that the service must serve some legitimate brokerage or research function. The brokerage orders placed must be for securities transactions. Services that assist the adviser in recordkeeping, administrative, marketing and client servicing, among others, cannot be obtained in reliance on Section 28(e).

In permissible circumstances, Silvercrest may receive technology based research, market quotation and/or market survey services which are paid for in whole or part by soft dollar brokerage arrangements. Such research is used for the benefit of all Silvercrest accounts, including accounts which do not generate soft dollars. In some cases trades are placed separately for a particular client and in others they are bunched with trades for other clients who are buying or selling the same security. Whenever practicable, orders are bunched so that a lower commission rate per share can be negotiated; in such cases all participating clients receive the same price per share or other unit, unless the order is executed over multiple days, in which different prices will be given to clients on different days. The soft dollar research obtained by Silvercrest normally benefits many accounts rather than just the one(s) for which the order is being executed, and not all research may be used by Silvercrest in connection with the account(s) which paid commissions to the broker providing the research. For example, Silvercrest may use the commissions paid by its clients who invest in equity securities to obtain fixed-income research services. In this situation, the fixed-income research may benefit a set of Silvercrest's clients that is different from a set whose commissions generated the soft dollar credits. Silvercrest does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

When Silvercrest uses client brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the research, products or services. Silvercrest may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on our clients’ interest in receiving most favorable execution.

(c) Directed Brokerage

Silvercrest does not recommend, request or require that any client direct it to execute transactions through a specific broker-dealer. However, some of our clients instruct Silvercrest to direct all or a portion of executions effected for its account to a specific broker-dealer under certain circumstances. In many cases, this is being done in return for services provided directly to that client, such as research, performance evaluation or other administrative services, master trust services, discounted commissions, or cash rebates to the client.

All such instructions must be provided to Silvercrest in writing and in a form to be approved by the Compliance Officer. By that letter, clients acknowledge that the instruction may result in execution costs which are higher than those Silvercrest is otherwise able to obtain because (i) no attempt will be made by Silvercrest to negotiate commissions with the selected broker-dealer on behalf of the client and (ii) Silvercrest may aggregate securities transactions on behalf of other clients and as a result thereof achieve for such other clients better execution than that obtained for the client giving the instruction, and that Silvercrest would be in a better position to negotiate brokerage commissions for the client by aggregating client's transactions with the transactions of such other clients if client had not directed Silvercrest to use that broker.

(d) Aggregation of Orders

Final allocations of purchase and sale transactions for clients are dependent on many factors, including client guidelines, strategy, market value, cash availability, weightings, credit rating of issue, the age of the trade request, recent trades for an account, the size of the order, the number of shares or bonds purchased, existing portfolio holdings by account, the characteristics of the market, and level of risk the client is willing to assume.

There is no specific calculation that must be used to allocate orders among clients, but the outcome of the allocation system implemented will result in the fair and equitable treatment of all clients, will always consider the suitability of the securities for specific clients, and will ensure that no accounts are given preferential treatment. One allocation method used where the entire amount of shares sought is not obtained is the pro-rata allocation of a day's transactions among accounts with open orders for that security, based on the average price obtained that day. Accounts are allocated shares in proportion to the percentage of the original amount of shares sought. Shares may also be allocated randomly.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **I. Separately Managed Accounts**

Client portfolios are reviewed by the portfolio managers assigned to them and his or her staff. Silvercrest also administers a portfolio manager peer group review, in which portfolio managers review each other's client accounts to ensure that they are being managed within the investment guidelines requested by each client. Peer review occurs whenever a client communicates a substantial change in financial circumstances or objectives but no less than annually. The peer review process involves portfolio managers of at least a Senior Vice President or Managing Director level reviewing accounts of peer portfolio managers on a one-on-one basis and is administered by the Chief Compliance Officer.

We also rely on our clients to review their accounts to ensure that they reflect their current objectives, goals and capacity for risk.

Clients receive written monthly or quarterly reports, as they prefer, summarizing the holdings and activity in their accounts and the return on their investments. These reports are in addition to the statements clients receive directly from their custodian.

### **II. The Funds**

The investments in the Funds are reviewed and reevaluated by Silvercrest.

Investors in the Funds receive written monthly and/or quarterly reports, summarizing the statement of capital, including the value of their investment, and the return on their investments.

Investors in the Fund are also provided with annual reports containing financial statements examined by the Funds' independent auditors within 120 or 180 days, as applicable, after the end of each taxable year.



#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Silvercrest has written agreements with certain investment managers of private partnerships (funds) or separately managed accounts by which the manager agrees to charge its standard management fee (as well as any incentive fee), but reimburse Silvercrest for its fee for those assets, since Silvercrest waives its fee as to the assets invested in the fund by the client. See *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss* and *Item 10 - Other Financial Industry Activities and Affiliations* for a discussion of conflicts of interest.

Silvercrest engages third parties or placement agents (each, a “Solicitor”) to introduce clients to Silvercrest.

Depending on the specific arrangement, Silvercrest may pay Solicitors a fee, which may be calculated as a percentage of the fees paid to Silvercrest in connection with the client. In all cases, Silvercrest will enter into a written agreement with the Solicitor and introduced clients will be notified that compensation is paid to the Solicitor. In all other respects, the introduced clients will be subject to the policies and procedures of Silvercrest, including requirements concerning new account documents and account agreements.

## **ITEM 15 – CUSTODY**

### **I. Separately Managed Accounts**

All client account assets are held by a qualified custodian, whether a broker-dealer, a bank, or a trust company. These qualified custodians will deliver to clients, and clients will receive monthly or quarterly account statements summarizing the activity in their accounts and the return on their investments. These reports are in addition to the statements clients receive directly from Silvercrest, which are described in *Item 13 – Review of Accounts*. Silvercrest urges its clients to carefully review the statements received from the qualified custodians and compare the statements received from the qualified custodians with those received from Silvercrest.

### **II. The Funds**

To the extent required by law, client assets are maintained with a qualified custodian. However, Silvercrest is deemed to have custody of the assets of the Funds, and it will deliver to the investors in the Funds audited financial statements within 120 or 180 days, as applicable, after the end of each taxable year, as described in *Item 13 – Review of Accounts*.

Silvercrest urges investors in the Funds to carefully review the statements received.

## **ITEM 16 – INVESTMENT DISCRETION**

Clients' accounts are generally managed on a fully discretionary basis where Silvercrest makes all decisions as to which securities are bought or sold and/or the total amount bought or sold. Silvercrest is required to apply specific objectives and guidelines for each client portfolio which they are responsible for managing. If the client wishes to limit our discretion in any way, the limitation will be contained in the client's written investment objectives and guidelines. Clients who grant discretionary authority do so by executing a discretionary account agreement with Silvercrest. In accordance with its fiduciary duty, though Silvercrest may have been granted discretion over a client's assets, Silvercrest may recommend to clients that they invest some or all of those assets in a private fund managed on a discretionary basis by an unaffiliated third party. In those cases, Silvercrest is not exercising its discretion at the time of the investment in the private fund or during the time when the assets are invested by the third party.

Silvercrest and its affiliates have been afforded discretionary authority to manage the assets of each Fund pursuant to an investment management agreement with such Fund and/or such Fund's governing document. Silvercrest makes investment decisions on behalf of the Funds in accordance with their respective investment objectives. For more information, please see *Item 4 – Advisory Business*.

No investment in any Fund, whether managed by Silvercrest or otherwise, is made for a client on a discretionary basis.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Silvercrest receives, from most clients, authority to cast shareholder votes by proxy with respect to the securities owned by its clients. Silvercrest has contracted with Broadridge Investor Communication Solutions, Inc. for its ProxyEdge service, which casts votes in connection with proxies for securities in clients' portfolios. ProxyEdge votes in accordance with the recommendations of Glass Lewis & Co., an independent proxy voting research company.

Some clients maintain their holdings with a custodian that does not facilitate use of ProxyEdge. Those clients' securities are voted by Silvercrest pursuant to discretion granted by those clients. In voting proxies, and determining whether to vote proxies, Silvercrest is guided by general fiduciary principles. The firm's goal is to act prudently, and solely in the best interest of its clients. Silvercrest attempts to consider all aspects of its vote that could affect the value of the investment and will vote proxies in the manner that it believes will be consistent with efforts to maximize shareholder values. Silvercrest does not necessarily have an obligation to vote every proxy; for example, Silvercrest may forego voting proxies if the client account that held the position no longer holds the position at the time of the vote, or the cost of voting (such as in the case of a vote regarding a foreign issuer that requires being physically present to vote) outweighs the anticipated benefit to the client's account.

Silvercrest generally divides proxies into two categories in determining how to vote: management proposals and shareholder proposals. Below are guidelines applied in determining how to vote in each case. These guidelines are not strict, and each Silvercrest vote will depend on the facts and circumstances of each proposal, on a case-by-case basis. Depending on the facts of a specific vote, Silvercrest may deviate from the guidelines entirely where it deems it necessary in the best interests of our clients, and/or as instructed by a specific client.

### **Management Proposals**

I. Vote in support of management on the following ballot items, which are fairly common management-sponsored initiatives:

- Elections of directors who do not appear to have been remiss in the performance of their oversight responsibilities
- Approval of auditors
- Directors' and auditors' compensation
- Directors' liability and indemnification
- Discharge of board members and auditors
- Financial statements and allocation of income
- Dividend payouts that are greater than or equal to country and industry standards

- Authorization of share repurchase programs
- General updating of or corrective amendments to charter
- Change in Corporation Name
- Elimination of cumulative voting

II. Vote in support of management on the following items, which have potentially substantial financial or best-interest impact:

- Capitalization changes which eliminate other classes of stock and voting rights
- Changes in capitalization authorization for stock splits, stock dividends, and other specified needs which are no more than 50% of the existing authorization for U.S. companies and no more than 100% of existing authorization for non-U.S. companies
- Elimination of pre-emptive rights for share issuance of less than a given percentage (country specific - ranging from 5% to 20%) of the outstanding shares
- Elimination of “poison pill” rights
- Stock purchase plans with an exercise price of not less than 85% of fair market value
- Stock option plans which are incentive based and not excessive
- Other stock-based plans which are appropriately structured
- Reductions in super-majority vote requirements
- Adoption of anti- "greenmail" provisions

III. Vote against management (or do not vote in favor of management) on the following items, which have potentially substantial financial or best interest impact:

- Capitalization changes that add "blank check" classes of stock or classes that dilute the voting interests of existing shareholders
- Changes in capitalization authorization where management does not offer an appropriate rationale or which are contrary to the best interest of existing shareholders
- Anti-takeover and related provisions that serve to prevent the majority of shareholders from exercising their rights or effectively deter appropriate tender offers and other offers

- Amendments to by-laws which would require super-majority shareholder vote to pass or repeal certain provisions
- Elimination of Shareholders' Right to Call Special Meetings
- Establishment of classified boards of directors
- Reincorporation in a state which has more stringent anti-takeover and related provisions
- Shareholder rights plans that allow the board of directors to block appropriate offers to shareholders or which trigger provisions preventing legitimate offers from proceeding
- Excessive compensation
- Change-in-control provisions in non-salary compensation plans, employment contracts, and severance agreements which benefit management and would be costly to shareholders if triggered
- Adjournment of Meeting to Solicit Additional Votes
- "Other business as properly comes before the meeting" proposals which extend "blank check" powers to those acting as proxy

### **Shareholder Proposals**

Traditionally, shareholder proposals have been used to encourage management and other shareholders to address socio-political issues. ERISA requires that the investment manager avoid using plan assets to attempt to affect such issues, instead examining shareholder proposals primarily to determine their economic impact on shareholders.

I. Vote in support of shareholders on the following ballot items, which are fairly common shareholder-sponsored initiatives:

- Requirements that auditors attend the annual meeting of shareholders
- Establishment of an annual election of the board of directors
- Mandates requiring a majority of independent directors on the Board of Directors and the audit, nominating, and compensation committees
- Mandates that amendments to bylaws or charters have shareholder approval
- Mandates that shareholder-rights plans be put to a vote or repealed
- Establishment of confidential voting

- Expansions to reporting of financial or compensation-related information, within reason
- Repeals of various anti-takeover related provisions
- Reduction or elimination of super-majority vote requirements
- Repeals or prohibitions of "greenmail" provisions
- "Opting-out" of business combination provisions

II. Vote against shareholders (or do not vote in favor of shareholders) on the following initiatives, which are fairly common shareholder-sponsored initiatives:

- Limits to tenure of directors
- Requirements that candidates for directorships own large amounts of stock before being eligible to be elected
- Restoration of cumulative voting in the election of directors
- Requirements that the company provide costly, duplicative, or redundant reports; or reports of a non-business nature
- Restrictions related to social, political, or special interest issues which affect the ability of the company to do business or be competitive and which have significant financial or best-interest impact
- Proposals which require inappropriate endorsements or corporate actions

Clients and investors in the Funds may obtain information from Silvercrest regarding how it voted specific client securities, as well as Silvercrest's proxy voting policies and procedures, by contacting their respective portfolio managers or Silvercrest directly.

## **ITEM 18 – FINANCIAL INFORMATION**

Silvercrest does not require or solicit prepayment of advisory fees six months or more in advance. Silvercrest has not been the subject of a bankruptcy petition at any time during the past ten years.

Because Silvercrest maintains discretionary authority over client accounts, it is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. It is unaware of any such current condition.