

Form ADV Part 2A Firm Brochure

**THE ROCK CREEK GROUP, LP**

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**This brochure provides information about the qualifications and business practices of The Rock Creek Group, LP. If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at (202) 331-3425 or [srossoff@rockcreekglobal.com](mailto:srossoff@rockcreekglobal.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about The Rock Creek Group, LP is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The Rock Creek Group, LP is registered as an investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.**

**Updated December 2012**

## **Item 2. Material Changes**

We wish to bring to your attention the following changes to our Brochure dated March 2011:

- Item 4 (Advisory Business) has been updated to reflect Wells Fargo Investment Group, Inc.'s acquisition of a minority equity interest in The Rock Creek Group, LP ("Rock Creek" or the "Adviser"). In addition, the amount of regulatory assets under management of Rock Creek was updated to reflect the value as of December 1, 2012.
- Items 10 (Other Financial Industry Activities and Affiliations) has been similarly updated to Wells Fargo Investment Group, Inc.'s acquisition of a minority equity interest in Rock Creek.

If you have any questions about the material changes identified and discussed in this Item 2, please contact our Chief Compliance Officer at (202) 331-3425 or [srossoff@rockcreekglobal.com](mailto:srossoff@rockcreekglobal.com).

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#### **Item 4. Advisory Business**

Afsaneh Beschloss founded Rock Creek, a Delaware limited partnership that has been in the investment management business since October 2001. Ms. Beschloss is the President and CEO of the Adviser.

Since December 2012, Afsaneh Beschloss, Dr. Sudhir Krishnamurthi, and their respective family trusts that were formed for estate planning purposes and other Rock Creek senior team members (through the Management Equity Plan) own a majority equity interest in Rock Creek, and Wells Fargo Investment Group, Inc. (“WFIG”), a wholly owned subsidiary of Wells Fargo & Company (“Wells Fargo”), holds a non-voting, minority equity interest in Rock Creek. Rock Creek operates independently of the Wells Fargo group of companies; Ms. Beschloss continues as the President and CEO and the Rock Creek team retains day-to-day control of the business. There will be no changes to Rock Creek’s structure, investment philosophy or processes, investment committee composition, or location.

***Commingled Funds.*** The Adviser provides investment advisory services to multi-investor private investment vehicles (“Funds”), such as limited partnerships, corporations, or other commingled investment vehicles which have been organized to invest in other investment vehicles or investment funds managed by third party asset managers, including alternative marketable investment funds<sup>1</sup> (“Portfolio Funds”). Portfolio Funds invest primarily in publicly traded securities, including but not limited to, U.S. and foreign equity securities (both on the long and short side), debt securities, money market instruments, foreign currencies, options and futures contracts, forward contracts, and other derivatives. Services to the Funds include investment management services such as the identification, selection, monitoring and evaluation of the Portfolio Funds and portfolio managers (“Portfolio Managers”) with which the Funds invest.

***Separate Accounts.*** In addition to providing services to the Funds, the Adviser provides investment management services to separate accounts (“Separate Accounts”) for single investors (or a group of affiliated investors). The Adviser may allow an investor who meets certain criteria to open a Separate Account, which may have terms (*e.g.*, regarding transparency and liquidity) that are different from those of the Funds. Such accounts may adhere to unique risk guidelines, operating guidelines and investment restrictions imposed by the respective investor. These arrangements, including the fees and expenses charged to Separate Accounts, are set forth on a case by case basis depending upon such factors as the size of mandate, type of strategy and unique features of the account. Unless otherwise specified herein, Funds and Separate Accounts may be referred to as “Clients”. The Adviser may invest assets of Separate Accounts in certain Funds in accordance with Separate Account investment guidelines. The Separate Account, in such cases, purchases a share class of the Funds that does not charge fees to avoid the duplication of fees.

***Advisory Services.*** The Adviser may provide nondiscretionary advisory services relating to investments in Portfolio Funds, asset allocation, and manager selection to endowments and foundations, pension or profit-sharing plans or other institutional clients (“Advisory Clients”),

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<sup>1</sup> “Alternative marketable investments” are investments in strategies that seek to generate absolute returns by taking advantage of inefficient segments of the market while maintaining low exposure to stock and bond markets.

possibly using investment strategies similar to those employed for the Funds or Separate Accounts. Among other customized services, Advisory Client services may include assistance with the performance of due diligence on underlying funds and managers of such funds as well as portfolio risk analysis.

As of December 1, 2012, the Adviser had a total of approximately \$7.4 billion in regulatory assets under management (approximately \$6.9 billion on a discretionary basis and \$495 million on a non-discretionary basis.) Please see Item 7 for a list of the types of the Adviser's Clients.

## **Item 5. Fees and Compensation**

***Management and Incentive Fees.*** Rock Creek's fees generally vary depending upon the nature and extent of the mandate and whether the investment is being made into a Fund, Separate Account or pursuant to an Advisory Client relationship. The Adviser charges investment management fees to Clients as a percentage of assets under management (*e.g.*, management and/or incentive fees or allocations). Fees are set out within the governing documents, offering documents (including share class supplements, if any) and/or the investment management agreements between the Adviser and the Client, all as applicable. The Adviser does not have one fee schedule that applies to all Clients.

With respect to Separate Accounts and Advisory Clients, Rock Creek's fees are negotiated on a case-by-case basis. The fees are generally assessed depending upon the size of the mandate, the scope of the services, the scope of the investor relationship, the type of strategy, the extent of reporting or other administrative services required, the type of assets invested and any unique features of the arrangement. There may be breakpoints for lower management fees for investors that exceed specific assets under management thresholds, and a flat fee option may also be available. The Adviser may also be entitled to receive incentive fees with regard to certain Separate Accounts and such fees may range from 5.00% to 15.00% (annually).

With respect to the Funds, the Adviser's fees are set forth in each Fund's offering documents (*e.g.*, the Fund's private offering memorandum and/or supplements) with details regarding management and/or incentive fees usually provided in the applicable share class supplement. Funds generally will pay the Adviser a management fee equal to a percentage of net assets, quarterly, in advance. For Funds, the Adviser's standard range of management fees is .75% to 1.00% (annually) of assets under management, and incentive (performance-based) fees may be up to 7.50% (annually) of realized and unrealized capital appreciation, with a high water mark. Certain share classes for investments over a certain size or for a founder's share class for founders or initial investors may have lower fees as set forth in the applicable private placement memorandum and/or supplement.

Certain Clients may also pay the Adviser an incentive fee or allocation based upon an annual percentage of the net capital appreciation above a hurdle rate of the Client's advised assets for the year, subject to standard high-water provisions, at the end of each calendar year. All incentive fees charged by the Adviser are in compliance with Rule 205-3 of the Investment Advisers Act of 1940. For further information regarding the particular fee schedules for the Funds, please refer to the applicable private placement memorandum and supplements.

With respect to certain non-discretionary services provided by the Adviser to Advisory Clients, such Advisory Clients may pay negotiated fixed dollar amounts based on the type of services provided (*e.g.*, manager due diligence, portfolio risk analysis).

***Additional Fees and Expenses.*** Additional fees and expenses that may apply vary based upon the nature and extent of the mandate and whether the investment is being made into a Fund, Separate Account or as part of an advisory relationship. Advisory Clients are charged fees and expenses as agreed upon with each such client for such matters as audit, administrative and custody services. Some Funds pay the Adviser an administration fee annually, in advance, on a quarterly basis, in an amount equal to .25% of the investment account's average monthly net assets. This fee may be more or less than the actual cost to the Adviser in this regard. In such cases the Adviser generally has agreed to pay or absorb the ordinary operating expenses of each Fund (*e.g.*, research and consulting fees and expenses; fees of any consultant retained by the Adviser to provide risk management analysis and reports; legal fees and disbursements; fees of the administrator, accounting, audit, and tax preparation fees and expenses; organizational expenses; and any expenses relating to the offer and sale of the shares), excluding the management fee and the incentive fee, if any. Separate Accounts may also pay the Adviser an administration fee annually in the range of .10% to .15% or may pay certain actual expenses. Certain expense fees may be capped at a fixed amount per annum. Fund of fund investors will indirectly incur fees and expenses applicable to the underlying Portfolio Funds, including asset-based, performance-based, carried interest, incentive allocation and other compensation payable to such underlying managers and brokerage and other transaction costs through its underlying investments in Portfolio Funds. Please see Item 12, for more information about the Adviser's brokerage practices.

Generally, Advisory Clients may terminate their advisory contracts with the Adviser for cause or upon notice to the Adviser as agreed to with the Adviser. Any fees which have been paid in advance at the time of termination will be reviewed by the Adviser and the applicable pro-rata portions will be returned to the Client.

In relation to Separate Accounts, the Adviser, at the instruction of the Separate Account investor, either deducts fees from managed assets or bills Clients for fees incurred on a quarterly basis.

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

As discussed above, in addition to the management fee, Clients may also pay the Adviser an incentive fee or allocation based upon an annual percentage of the net capital appreciation above a hurdle rate of the Client's advised assets for the year, subject to standard high-water provisions, at the end of each calendar year. All incentive fees charged by the Adviser are in compliance with Rule 205-3 of the Investment Advisers Act of 1940. For further information regarding the particular fee schedules for the Funds, please refer to the applicable private placement memorandum and supplements. Management fees charged by the Funds to a particular investor share class may be based on the level of liquidity offered such share class so that generally if a longer lock up is elected by the investor, the management fee charged would be lower than had a shorter lock up been elected. Once the lock up expires, unless a new lock up

is entered into with the investor, the fee generally would increase to reflect the more liquid share class the investor has converted to after the lock up has expired.

The Adviser manages Funds and Separate Accounts that pay management fees only. All Funds and Separate Accounts are charged a management fee, and, in certain cases, an incentive fee or allocation. However, the Adviser may, in its discretion, manage other Funds or Separate Accounts with higher or lower fees, and different fee structures. Funds and Separate Accounts that pay the Adviser a higher percentage of fees could create an incentive for the Adviser to favor those Funds or accounts or recommend riskier investments. As the management fees, performance-based fees and allocations made to the Adviser are based directly on the net asset value of the Client accounts, there is a potential conflict of interest in valuing the assets held in the accounts. The Adviser will follow its valuation policies and utilize the third party administrator to the accounts as appropriate in order to mitigate this risk. The Adviser performs due diligence on the underlying Portfolio Managers in the portfolios with respect to such managers' own valuation policies and procedures. The Adviser has adopted compliance policies and procedures for fairly allocating investments among Clients in accordance with what the Adviser understands to be accepted standards in the investment management industry.

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

The Adviser advises the Funds, Separate Accounts, foundations, endowments, sovereign wealth funds, and Taft-Hartley, corporate, municipal, state and foreign pension plans.

***Requirements to Open or Maintain an Account.*** Certain Funds may not be available to all U.S. investors, may limit the number of U.S. investors they accept, or may require that any U.S. investors certify that they are a "qualified purchaser" as defined in Section 2(a)(15) of the Investment Company Act of 1940 (the "Company Act") and an "accredited investor" as defined by Regulation D promulgated under the Securities Act of 1933, as amended. Certain Funds' Boards of Directors have sole discretion to decline to accept the subscription of a Fund's interests for any prospective investor. For each Fund there is a required minimum investment of \$5 million and a required minimum additional subscription amount of \$1 million. However, a Fund's Board of Directors, in its sole discretion, may accept either initial or additional subscriptions of a lesser amount (but in no event less than such amounts as required to comply with section 4(3) of the Mutual Funds Law (2009 Revision) of the Cayman Islands, as amended from time to time. A minimum investment of \$100 million is generally imposed on each investor that wishes to open a Separate Account. This minimum investment may be waived at the discretion of the Adviser.

The Funds or Separate Accounts generally may limit the ability of investors to withdraw capital or redeem or transfer their interests for a period of time after investment. These lock-ups may differ among the Clients and among the classes of interests in the same Fund. Generally, a Fund may waive or alter these requirements.

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

***Methods of Analysis.*** Generally, the Adviser will engage Portfolio Managers to manage the assets of the Clients primarily by investing such assets in Portfolio Funds managed by such

Portfolio Managers, using a wide variety of investment styles, with this arrangement commonly referred to as a “fund of funds”. Portfolio Managers use investment strategies covering a wide range of asset classes. In some cases, the Adviser may place assets with Portfolio Managers by opening discretionary managed accounts, rather than by investing in their investment funds. The Adviser employs an investment process covering: (a) market review and asset allocation among different investment strategies and asset classes, (b) Portfolio Manager identification and due diligence, including legal and operational due diligence, (c) portfolio construction, (d) risk management, and (e) portfolio monitoring. The Adviser allocates and reallocates the assets among Portfolio Managers who use investment strategies and risk management processes consistent with the Clients’ investment objectives and policies. There can be no assurance that the Adviser will always be able to invest in a particular Portfolio Fund or that the investment strategy used by a Portfolio Fund or portfolio will be successful.

The Adviser relies on research produced internally and externally for purposes of manager selection and asset allocation. The Adviser utilizes internal and external quantitative tools for evaluating portfolios of hedge funds and other managers, quantitative tools to assess the cyclicity of various strategies, risk management tools to manage the risk of the overall portfolio and individual Portfolio Managers, and proprietary tools for monitoring the portfolios of underlying hedge funds and other Portfolio Managers.

***The Fund of Funds Concept.*** The Adviser believes that a fund of funds that allocates its assets to underlying hedge funds generally offers investors advantages over traditional funds by providing a more diversified portfolio than an investment in a single fund and by providing an absolute return focus. In addition, by investing with multiple Portfolio Managers, a fund of funds may reduce the volatility associated with a direct investment in a single Portfolio Fund. There are material risks associated with a fund of funds and with the investment strategies employed by the Portfolio Managers and the strategies utilized by the Adviser in constructing the portfolios.

***Investment Strategies.*** Hedged strategies involving investment in marketable securities have historically exhibited moderate correlation to the performance of publicly traded stocks. For this reason, an investment in these strategies has the potential to enhance the risk-adjusted return relative to traditional portfolios. Because Portfolio Managers using these strategies generally invest in publicly traded securities, these strategies generally represent an extension of traditional long only strategies, but are unlike traditional strategies in that they may involve the use of various specialized investment techniques such as leverage and short sales of securities. The ability of Portfolio Managers using hedged strategies to employ these and other investment techniques expands the set of investment tools they can use to pursue absolute returns in a variety of market conditions while seeking to preserve capital. For certain Clients, long-only or long-biased strategies may also be employed. Generally, Rock Creek invests across a range of strategies, including diversified, equity-hedged, credit, tactical trading/global macro, diversified small/emerging managers, non-U.S. and emerging markets.

***Risk of Loss.*** All investments risk the total loss of capital and Clients should be prepared to bear this loss.



**Significant Risks.** The Portfolio Managers, or in limited cases when permitted, the Adviser on behalf of its Clients, may use investment techniques such as margin transactions, short sales, option transactions, forward and futures contracts, or the purchase or sale of exchange traded funds. In certain circumstances, these practices can maximize adverse investment impacts. No guarantee or representation is made that the investment program including, without limitation, the investment objectives, diversification strategies, or risk monitoring goals, will be successful, and investment results may vary substantially over time.

Past investment results of the Adviser, Portfolio Managers, the Funds, and Separate Accounts, are not necessarily indicative of their future performance. No assurances can be made that profits will be achieved or that substantial losses will not be incurred.

**Evolving Regulatory Oversight; Business and Regulatory Risks of Hedge Funds.** The Funds and Separate Accounts are not required to register as investment companies, and have not registered as such, under the Company Act. Thus, the provisions of the Company Act intended to provide various protections to investors are generally not applicable. Moreover, Portfolio Funds generally are not registered as investment companies. The investment activities of the Funds, Separate Accounts and the Portfolio Funds are not subject to Company Act provisions that limit the use of leverage and regulate other investment practices. Portfolio Funds generally maintain custody of their assets with brokerage firms that may not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the U.S. Securities Investor Protection Act, the bankruptcy of any such brokerage firm could have a greater adverse effect on the Funds or Separate Accounts than would be the case if custody of assets were maintained in accordance with the requirements applicable to registered investment companies. There is also a risk that a Portfolio Manager could convert to its own use assets committed to it by the Funds or Separate Accounts or that a custodian could convert to its own use assets committed to it by a Portfolio Fund Manager. There can be no assurance that the Portfolio Managers or the entities they manage will comply with all applicable laws and that assets entrusted to the Portfolio Managers will be protected.

The regulatory environment for private investment funds continues to evolve, and changes in the regulation of private investment funds may adversely affect the value of investments and the ability of the Portfolio Funds to obtain the leverage they might otherwise obtain or to pursue their trading strategies. There still may be significant new regulations that could limit activities and investment opportunities or change the functioning of capital markets.

For example, beginning in 2011, the Adviser began making new filings with the Federal Reserve Bank of New York, the SEC, and beginning in 2012 additional disclosures will be made to the SEC to assist, among other things, the Financial Stability Oversight Council in its assessment of systemic risk in the U.S. financial system. On February 9, 2012, the CFTC issued final rules that increase CFTC regulatory requirements for private funds, including hedge funds and fund of funds. These final rules eliminate two of the private fund industry's most frequently relied-upon exemptions from commodity pool operator (CPO) and commodity trading advisor (CTA) registration with the CFTC. These final rules also will subject registered CPOs and CTAs to new additional systemic risk reporting requirements. The Adviser may soon be required to register with the CFTC as both a CPO and CTA due to its direct investments or investments in

underlying private funds that may be deemed to be commodity pools and thereby subject to CFTC registration.

This document does not address or anticipate every possible current or future domestic or non-U.S. law, rule, or regulation that may affect the Adviser, the Portfolio Managers, or their businesses. These possible changes also may have a significant impact on the owners or the operations of the Adviser, the Funds, or the Separate Accounts. These impacts may include, among others, restricting the types of investments which may be made; preventing the exercise of voting rights, if any, with regard to certain financial instruments; or requiring the disclosure of the identity of investors. The Funds, Separate Accounts, Portfolio Funds, and Portfolio Managers may also be subject to non-U.S. regulation in jurisdictions in which each engages in business, which, in turn, could have a material adverse impact on the value of investments. Investors should understand that the Funds', Separate Accounts' and the Portfolio Funds' businesses are dynamic and are expected to change over time. Therefore, each may be subject to new or additional regulatory constraints in the future.

***Volatile Markets.*** The prices of commodities contracts and various types of derivative instruments are highly volatile. Price movements of forward contracts, futures contracts, and other derivative contracts are influenced by, among other things, interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. In addition, governments from time to time intervene in certain markets, particularly those in currencies and interest rate-related futures and options, which may cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. When investing in non-U.S. instruments, portfolios are also subject to the risk of failure of the exchanges on which their positions trade or of their clearinghouses resulting from less governmental regulation and intervention, and there may be a higher risk of financial irregularities or lack of appropriate risk monitoring and controls. Risks associated with investing in securities of foreign issuers are more pronounced with respect to investments in securities of issuers in emerging markets. Certain portfolio assets are allocated to Portfolio Managers who invest globally in the U.S. and in other developed markets and in emerging markets outside the United States.

***Counterparty Risks; Counterparty and Service Provider Relationships.*** Portfolio Managers establish relationships to obtain brokerage, prime brokerage, custody and banking services, financing and derivative intermediation and to act as counterparty to derivative transactions. However, there can be no assurance that the Portfolio Funds will be able to maintain such relationships or establish others. An inability for a Portfolio Manager to establish or maintain such relationships would limit its trading activities and prevent the Portfolio Fund from trading at optimal rates and terms, could create losses, preclude the Portfolio Fund from engaging in certain transactions, concentrate the holdings of the assets of the Portfolio Fund with a limited number of counterparties and limit the availability of financing, each of which could materially adversely affect the Fund. Moreover, a disruption in the services provided by any such relationships before a Portfolio Manager is able to establish additional relationships (which may not be successful) could have a significant impact on its business due to its reliance on such counterparties.

***Creditworthiness of Prime Brokers and Other Service Providers.*** The Portfolio Managers have established relationships with broker-dealers, banks and their affiliates (both in the U.S. and outside the U.S.) for the provision of services, including holding and maintaining the funds, securities, commodity interests and other property, and the clearance of their securities transactions. These arrangements can cover securities, loans, derivatives, swaps, options, futures, foreign exchange and securities lending transactions and usually involve the provision of financing to the applicable Portfolio Fund. The Portfolio Fund's assets held by a prime broker that is providing financing generally will be secured in favor of that prime broker and its affiliates.

Although the Portfolio Managers generally engage U.S. broker-dealers as their prime brokers, the prime brokerage arrangements will often include contractual relationships within a prime broker's group of affiliates, some of which may be located outside of the United States. However, a Portfolio Fund's prime brokerage arrangements typically allow for transfer of the Portfolio Fund's assets to the prime broker's affiliates and also to sub-custodians which may be located in various jurisdictions, including jurisdictions outside the United States. These entities may hold securities, commodities, cash, collateral or other assets of the Portfolio Fund in such jurisdictions as may be necessary to facilitate the provision of the services to the Portfolio Fund. The agreements with the financial institutions are also complex and generally include cross-collateral, netting and cross-default provisions to protect the financial institution from the failure of the Portfolio Fund to meet its obligations under a variety of agreements. Bankruptcy laws and other laws and regulations relating to the protection of assets of the Portfolio Fund held by the financial institution vary substantially by jurisdiction, type of legal entity, and are very complex and uncertain and can involve the risk of loss or inability to access any or all of the assets of the Portfolio Fund held by a financial institution that becomes subject to the bankruptcy or insolvency regime. Portfolio Fund assets may be held with U.S. broker-dealers or U.S. or non-U.S. banks or their affiliates and the risks associated with assets held at each of these various institutions may differ substantially. While there are various laws and regulations in various jurisdictions that may provide some protection to customers of brokerage firms and commercial banks in the event of their insolvency, these protections are not uniform across jurisdictions and it is not always clear when such protections may apply. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Fund or the Portfolio Funds and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the portfolio (directly or through the Portfolio Funds), which could be material.

Even in countries where applicable law provides protection to client assets, such protections may not adequately protect the Portfolio Fund (and, indirectly, the portfolio) from risk of loss. For example, while U.S. rules and regulations applicable to broker-dealers are designed to protect client assets (including the Portfolio Fund's assets), it is possible that, if one of the Portfolio Fund's brokers were to become insolvent, the assets of the Portfolio Fund held at such broker could be at risk. While U.S. broker-dealers are required to segregate client assets from their proprietary assets and are required to hold specified amounts of capital in reserve, client assets are normally held in pooled client accounts for the benefit of all clients. Additionally, the broker may be able to transfer client assets out of such client accounts or use such assets (including cash) in the ordinary course of its business. The Portfolio Fund could

experience losses if the clients' claims exceed the amount of client assets such brokers actually held at the time of the insolvency. With respect to U.S. broker-dealers, in the event client claims are greater than client property, the clients' remaining claims may be satisfied, along with all general unsecured claims, from the broker's non-customer assets (including its regulatory capital). In addition, while the return of client property is designed to occur on an expedited basis (usually by transfer of the accounts to a solvent broker), there exists the risk of delay in, or inability to make, such a return or transfer, in whole or in part, by the insolvent broker. Furthermore, the Portfolio Fund may be unable to trade such securities or other property held by the insolvent broker during this transfer period or during a pending insolvency proceeding. Such a situation would create the possibility of a substantial loss to the Portfolio Fund (and, indirectly, the portfolio) with respect to its assets held at such broker. Since the amount and type of property ultimately received by the Portfolio Fund may remain indeterminate until actually returned, or upon resolution of any insolvency proceeding, as applicable, the Portfolio Fund may be unable to adequately hedge its positions in such property.

Many Portfolio Funds rely on prime brokers to provide financing for many of their investment activities. Financial institutions may re-evaluate their prime brokerage business from time to time, which may impact the availability of credit to a Portfolio Fund and the terms on which it is offered, including the cost thereof, creating a more difficult financing environment for many asset classes and this may potentially adversely affect the Portfolio Fund's returns and investment activity. In addition, the Portfolio Fund may face an increased risk of being subject to significant changes in margin requirements as prime brokers modify their risk models to determine how much to lend to their customers. Furthermore, prime brokers may face additional regulation in the foreseeable future, which may affect their willingness or ability to provide prime brokerage services, and the costs of such services. Financing costs are likely to be significantly higher or assets may become impossible to finance if they cannot be financed by prime brokers.

***Risk of Counterparty Default.*** The stability and liquidity of repurchase agreements, swap transactions, forwards and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. The failure of a prime broker could have a material adverse effect on the Portfolio Fund (and the portfolio). Although the Portfolio Managers evaluate the creditworthiness of their respective Portfolio Fund's prime brokers and other service providers, it is often impossible to obtain sufficient information to make fully-informed judgments or determinations of the risk that a particular financial institution may fail, particularly given the speed with which a financial institution's creditworthiness may decline when faced with liquidity pressures. Strategies to minimize such risk include moving assets from one prime broker to another prime broker, custodian or bank, or establishing segregated accounts for securities, if possible, which creates additional operational risk.

If there is a default by the counterparty to such a transaction, the Portfolio Manager will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Portfolio Fund being less than if the Portfolio Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. If one or more of the Fund's or the Portfolio Funds' counterparties were to become insolvent or the subject of liquidation proceedings in the United

States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Fund's or the Portfolio Funds' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In light of the extensive, and sometimes complex, financing and trading arrangements that the Portfolio Funds have with their prime brokers, each Portfolio Fund may face the risks, among other things, that the assets of the Portfolio Fund might be transferred out of its accounts or might be in accounts which do not benefit from client asset protection or that a prime broker will have a security interest in the assets of the Portfolio Fund that it holds. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker or any of its sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Portfolio Fund and its assets. Investors should assume that the insolvency of any of the Portfolio Fund's prime brokers could result in the loss of all or a substantial portion of the Portfolio Fund's assets held by such prime broker, whether as a result of losing a proprietary interest in any of its assets, a substantial delay, which could be years, in their return or the uncertain outcome of pursuing a claim as a creditor in an insolvency. Should the Portfolio Fund be unable to identify, access or value its assets, or establish with any certainty the amount or likelihood of recovery of any claim, such circumstances could cause substantial losses to the Portfolio Fund (and, indirectly, the portfolio). Such losses might not be limited to the assets that were held by that prime broker, including replacement costs of relevant assets and fees and expenses. Moreover, the Portfolio Fund might be required to make future payments or deliveries to the insolvent prime broker without set-off of amounts due to it.

***Risk Factors Specific to Certain Derivative Transactions.*** Liquid markets exist for exchange-traded and over-the-counter derivatives referencing large capitalization U.S. equity indices and other global indices. As a result, counterparties can typically obtain long or short exposure to the performance of such indices quickly and with modest transaction costs. While portfolios usually maintain cash balances in connection with any direct investments in derivatives, such amounts may be insufficient to meet margin requirements. As a result, particularly in periods of market stress, derivative contracts used to obtain such exposures may not be available to the portfolios or may not, in the Adviser's or Portfolio Manager's judgment, be economically priced. In addition, following a significant decline in the U.S. equity market or in the value of the portfolios, or liquid assets, counterparties may be unwilling to continue to deal with the Funds, Portfolio Funds, or Separate Accounts and may have the ability to terminate the agreements relating to the exposure and all swaps documented thereunder or to reduce the notional amount thereof. Finally, swap counterparties are not contractually obligated to offer swaps following the maturity of a given transaction or to increase the size of a swap transaction at the Adviser's or Portfolio Manager's request.

***"Side Pocket" or Special Investments.*** The Portfolio Funds may invest a portion of the value of their total assets in investments that are illiquid, including "side pocket" investments or "special investments." "Side pockets" may be created by a Portfolio Fund in order to accommodate illiquid investments prior to the time when they are either sold or become readily marketable. If a side pocket is created, an allocable portion of the interests held by investors in the Portfolio Fund typically will be converted at net asset value to a separate class of interest in

the Portfolio Fund corresponding to the underlying investment in the side pocket. New investors in the Portfolio Fund generally will not receive any interest issued in connection with pre-existing side pocket investments.

Side pocket investments will generally be carried on the books of the Portfolio Funds (and consequently on the books of the Fund or Separate Accounts) at fair value (which may be cost) as determined by the Portfolio Managers. There is no guarantee that fair value will represent the value that will be realized by the Portfolio Fund on the eventual disposition of the side pocket investment or that would, in fact, be realized upon its immediate disposition. If an investor such as the Funds were to redeem its interest in a Portfolio Fund that makes side pocket investments, the Funds would typically remain exposed to the risk of loss on its indirect interest in any side pocket until such investments were realized or deemed realized. Management fees, performance fees and other expenses of the Portfolio Fund would typically continue to accrue until the side pocket investment is realized or deemed realized. If the proceeds from the disposition of a side pocket investment were insufficient to cover any accrued expenses, such accrued expenses might be borne disproportionately by other investors in such Portfolio Fund, including the Funds. Upon complete redemption or withdrawal from a Portfolio Fund, distribution of amounts attributable to side pockets are typically postponed pending the realization of such investment or the date when they become readily marketable and this may delay the time at which the Client is able to pay that part of an investor's redemption proceeds attributable to a side pocket investment. Upon realization, the interest of investors attributable to such side pocket will generally be redeemed by the Portfolio Fund at the current fair market value, and the proceeds generally will either be applied to purchase a corresponding non-side pocket interest in the Portfolio Fund at net asset value or paid out to such investors in cash (or, in certain circumstances, in kind).

***Leverage.*** Portfolio Funds may utilize leverage in their investment programs. Leverage may take the form of trading on margin, derivative instruments that are inherently leveraged and other forms of direct and indirect borrowings. The use of leverage has the effect of increasing the volatility of the Funds' investments. Trading securities on margin, unlike trading in futures (which also involves margin), results in interest charges. Depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in connection with futures and forward trading permit a high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. In the event that the Funds or Separate Accounts enter into an investment advisory agreement with a Portfolio Manager who utilizes leverage in its investment program, these Clients may become subject to claims by financial intermediaries that extend "margin" loans in respect of such managed account. Such claims could exceed the value of the assets allocated to such Portfolio Manager by the Funds or Separate Accounts.

In addition, certain Funds may be permitted to borrow for investment purposes and for the purpose of meeting redemptions that would otherwise require the liquidation of investments; however, the Adviser limits the total amount of borrowings by the Funds to no more than 10% of the net asset value of the Funds, measured at the time of the borrowing and calculated based on the net asset value of the Funds determined as of the last day of the month preceding the date of the borrowing.

The Portfolio Funds may from time to time incur contingent liabilities in connection with an investment. For example, the financing used by the Portfolio Funds to leverage their portfolios will be extended by securities brokers and dealers in the marketplace in which they invest. While the Portfolio Funds will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, their ability to do so will be limited. The Portfolio Funds are therefore subject to changes in the value that the broker-dealers ascribe to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Portfolio Funds. There can be no assurance that a Portfolio Fund will be able to secure or maintain adequate financing, without which the Portfolio Fund may not continue to be viable. Changes by banks and dealers in any of the foregoing policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or government, regulatory or judicial action, if a Portfolio Fund has no alternative credit facility which could be used to finance its portfolios in the absence of financing from broker-dealers, could result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other broker-dealers. The forced liquidation of all or a portion of a Portfolio Fund's portfolio at distressed prices could result in significant losses to the Portfolio Fund and, thus, the Funds or the Separate Accounts.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets and negotiate each transaction on an individual basis. Forward and "cash" trading are substantially unregulated. There is no limitation on daily price movements, and speculative position limits are not applicable. The primary risks associated with entering into such transactions include the risk that there will not be a market for such instruments; that trading will be disrupted because of unusually high trading volume, government intervention or other factors; that there is counterparty credit risk; and that the counterparty may not be able to perform on its obligation under the contract. Market illiquidity, trading disruption, or failure of the counterparty to perform could result in major losses to the portfolios. To the extent possible, the Adviser endeavors to select Portfolio Managers that it believes will deal only with counterparties that are creditworthy and reputable institutions, but such counterparties need not be rated investment grade.

**Short Selling.** The Portfolio Managers with which the Clients invest may engage in short selling. Short selling involves selling securities, which may or may not be owned, and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investor to seek profits from declines in the prices of securities. A short sale creates the risk of a theoretically unlimited loss because the price of the underlying security could theoretically increase without limit and increase the cost of buying those securities to close the short position. There can be no assurance that the securities necessary to close a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Hedging Transactions.** Although not currently expected, the portfolio may, from time to time, utilize a variety of financial instruments, such as short sales, options, swaps, caps and

floors, and futures and forward contracts and similar derivatives, both for investment purposes and for hedging purposes. While they may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk (including unidentified or unanticipated risks), thereby incurring losses. In addition, such hedging transactions may result in a poorer overall performance than if they had not engaged in any such hedging transactions. Moreover, it should be noted that (1) the Adviser may determine not to hedge against, or may not anticipate, certain risks and (2) the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

***Currency Trading.*** A portion of the assets may be invested by the Portfolio Fund in debt and equity securities denominated in various currencies and in other financial instruments, the price of which is determined with reference to such currencies. The portfolios, however, value their investments and other assets in U.S. dollars. To the extent not hedged, the value of the net assets will fluctuate with U.S. dollar exchange rates as well as with changes in the prices of investments in the various local markets and currencies. Although forward currency contracts and options may be utilized to hedge against currency fluctuations, the Portfolio Managers are not required to enter into such hedging transactions and there can be no assurance that such hedging transactions, even if undertaken, will be effective.

A Fund's permitted currency hedging activity may include attempts to hedge the exposure of each class of shares which are offered for subscription in a currency other than U.S. dollars to changes in the value of the currency in which the Fund is denominated (*i.e.*, U.S. dollar). Funds allocate profits and losses that are derived from currency hedging transactions attributable exclusively to a particular class of shares to such class of shares.

***Illiquid Investments.*** The Portfolio Managers may invest in securities that 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 volatile and the Portfolio Managers may not be able to sell them when they desire to do so or to realize what they perceive to be a fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Investment positions in illiquid securities could prevent the Portfolio Managers from liquidating unfavorable positions promptly and subject the Portfolio Fund, and therefore the portfolio, to substantial losses.

***Non-U.S. Securities.*** Portfolio Funds may invest in securities of, and derivatives of securities of, non-U.S. issuers (both public and private) and in depository receipts, such as American Depositary Receipts ("ADRs"), that represent indirect interests in securities of non-U.S. issuers. Non-U.S. securities in which Portfolio Funds may invest may be listed on non-U.S. exchanges or traded in non-U.S. over-the-counter markets. Investments in non-U.S. securities can be affected by risk factors generally not thought to be present in the U.S. These factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in pricing; less public information about issuers of non-U.S. securities; less governmental regulation and supervision over the issuance and trading of securities than in the U.S.; the unavailability of financial information regarding the non-U.S. issuer or the difficulty of



interpreting financial information prepared under non-U.S. accounting standards; less liquidity and more volatility in non-U.S. securities markets; the possibility of expropriation or nationalization; the imposition of withholding or other taxes on interest, dividends, capital gains or other income; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets of a Portfolio Fund between different countries; difficulties in invoking legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in non-U.S. countries. Investment in non-U.S. countries also generally involves higher brokerage and custodian expenses than does investment in U.S. securities.

Other risks of investing in non-U.S. securities include changes in currency exchange rates (in the case of securities that are not denominated in U.S. dollars) and currency exchange control regulations or other non-U.S. or U.S. laws or restrictions, or devaluations of non-U.S. currencies. A decline in the value of a non-U.S. currency versus the U.S. Dollar would reduce the U.S. Dollar value of a Portfolio Fund's portfolio securities denominated in such non-U.S. currency, all other things being equal. In addition, a Portfolio Fund may incur costs in connection with conversion between various currencies. The foregoing risks may be greater in emerging industrialized and less developed countries. (See "Currency Trading" above.)

***Emerging Markets.*** Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation, (ii) greater social, economic and political uncertainty including war, (iii) higher dependence on exports and the corresponding importance of international trade, (iv) greater volatility, less liquidity and smaller capitalization of securities markets, (v) greater volatility in currency exchange rates, (vi) greater risk of inflation, (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars, (viii) increased likelihood of governmental involvement in and control over the economies, (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies, (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers, (xi) less extensive regulation of the securities markets, (xii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements, (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors, (xiv) certain considerations regarding the maintenance of securities and cash with non-U.S. brokers and securities depositories, (xv) possible unforeseen changes in local tax laws that make investments or redemptions more costly than anticipated.

***Risks Associated with Exchanged Traded Funds (ETFs).*** Funds or Separate Accounts may invest, either directly or through Portfolio Funds in ETFs, including those that seek to replicate stock indices. ETFs may be used by the Adviser from time to time in certain circumstances where the timing and extent of particular exposure or investment exposures can be efficiently obtained through ETFs, as appropriate in the Adviser's discretion. All ETF products are subject to risk, which may result in the loss of principal. Emerging market ETFs involve additional risks, including currency fluctuations and the potential for adverse developments in specific countries or regions.

***Derivatives.*** Portfolio Funds will generally invest primarily in equity and fixed income securities, but may also invest in derivatives. Derivatives are based on the performance of an underlying asset, index, interest rate or other investment. Derivatives may be volatile and involve various risks, depending upon the derivative and its function in a portfolio. Portfolio Funds may take positions in derivatives either to increase or to decrease the level of risk, or to change the types of risks to which the portfolio is exposed. Swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

***Stock Index Options and Futures.*** The Portfolio Managers may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the portfolio correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Portfolio Managers will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by a Portfolio Manager of options on stock indices will be subject to an ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks. Put and call options are highly specialized activities and entail greater than ordinary investment risks. For example, traders who sell options are subject to the entire loss that occurs in the underlying item (less any premium received).

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause temporary price distortions. Successful use of stock index futures contracts is subject to the Portfolio Managers' ability to correctly predict movements in the direction of the market.

***Futures Contracts.*** The Portfolio Funds may trade in futures contracts (and options on futures). Futures contracts markets are highly volatile and are influenced by a variety of factors, including national and international political and economic developments. In addition, because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the trader. Moreover, futures positions are marked to market each day and variation margin payments must be paid to or by a trader.

Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and no secondary market exists for such contracts. Although the Portfolio Managers typically enter into futures contracts only if an active market exists for the contracts, no assurance can be given that an active market will exist for the contracts at any particular time. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, a Portfolio Manager could be prevented from promptly liquidating unfavorable positions and thus be subjected to substantial losses.

In addition, the CFTC and various exchanges impose speculative position limits on the number of positions a person or group may hold or control in particular commodities. For purposes of complying with speculative position limits, a Portfolio Manager's outright positions (*i.e.*, those that are not bona fide hedge positions or spread positions specifically exempted from speculative limits) may be aggregated with positions of certain related persons and, as a result, a Portfolio Manager may be unable to take positions in particular futures contracts or may be forced to liquidate positions in particular futures contracts.

When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the futures contracts and the underlying investment sought to be hedged may prevent a Portfolio Manager from achieving the intended hedging effect or expose such Portfolio Fund to the risk of loss.

Unlike trading on U.S. futures exchanges, trading on non-U.S. futures exchanges is not regulated by the CFTC and may be subject to greater risks than trading on domestic exchanges. For example, some non-U.S. exchanges are principal markets so that no common clearing facility exists and a trader may look only to the broker for performance of the contract. In addition, unless a Portfolio Manager hedges against fluctuations in the exchange rate between the U.S. dollar and the currencies in which trading is done on non-U.S. exchanges, any profits that a Portfolio Manager might realize in trading could be eliminated by adverse changes in the exchange rate, or the Portfolio Manager could incur losses as a result of those changes.

***Managed Account Allocations and Separate Vehicles to Facilitate Investments.*** The Funds or Separate Accounts may place assets with certain Portfolio Managers by opening discretionary managed accounts, rather than by investing in Portfolio Funds. Although there may be certain advantages to managed accounts, such accounts expose the portfolio to theoretically unlimited liability, and it is possible, given the leverage at which certain of the Portfolio Managers trade, that the portfolio could lose more in a managed account directed by a particular Portfolio Manager than the portfolios that have allocated to a Portfolio Fund. To seek to mitigate certain of such risks, the Funds or Separate Accounts may, but are not obligated to, establish separate investment vehicles that are managed by the Portfolio Managers. Also, in order to structure or facilitate an investment with a Portfolio Fund by the Funds or Separate Accounts, the Adviser may form a separate vehicle or segregated portfolio through which such investments into a Portfolio Fund may be made by certain of the Funds and Separate Accounts.

***Valuation Estimates.*** In most cases the Adviser has no ability to assess the accuracy of the valuations received from a Portfolio Manager. Furthermore, the monthly net asset values of

Portfolio Funds provided to the Adviser from Portfolio Managers are unaudited, subject to revision upon conclusion of each underlying Portfolio Fund's annual audit. Revisions to the Funds' gain and loss calculations are an ongoing process, and actual net capital appreciation or net capital depreciation figures may not be final until an annual audit is completed.

***Regulated Investors.*** Certain prospective investors may be subject to Federal and state laws, rules, and regulations that may regulate their participation in the Funds as well as their entering into a Separate Account with the Adviser, or their engaging directly, or indirectly through an investment in the Funds, in investment strategies of the type which the Portfolio Managers may utilize from time to time (*e.g.*, short sales of securities and the use of futures, leverage, and limited diversification). While the investment programs are generally appropriate for tax-exempt organizations for which an investment in the Funds or Separate Accounts would otherwise be suitable, each type of exempt organization may be subject to different laws, rules, and regulations and prospective investors should consult with their own counsel and advisers as to the advisability and tax consequences of any investment. Investment by entities subject to ERISA and other tax-exempt entities requires special consideration. Trustees or administrators of such entities are urged to carefully review all investment information.

***Suspensions of Trading.*** Each securities exchange typically has the right to suspend or limit trading in all securities. Such a suspension would render it impossible for a Portfolio Manager to liquidate positions and, accordingly, could cause losses.

***Start-Up Entities.*** Certain of the portfolios, whose guidelines permit, may invest their assets in Portfolio Funds that do not have an operating history and may be managed by professionals who have limited or no prior experience managing those types of entities. So called "emerging managers" may enjoy greater flexibility, but may have fewer operational resources and infrastructure than more established managers.

***Identity of Beneficial Ownership and Withholding on Certain Payments.*** Under legislation enacted in March 2010, in order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) with respect to certain U.S. investments, the Funds and Separate Accounts will be required to enter into an agreement with the United States Internal Revenue Service (the "Service") identifying certain direct and indirect U.S. equity holders. A non-U.S. investor in the Funds could be required to provide information which identifies its direct and indirect U.S. ownership. Any such information provided to a Fund will be shared with the Service. A non-U.S. investor who fails to provide such information to a Fund would be subject to the 30% withholding tax with respect to its share of any such payments attributable to U.S. investments of the Fund. All investors should consult their own tax advisors regarding the possible implications of this legislation on their investments.

### **Special Risks of a Fund of Funds Structure:**

***Valuation of Assets.*** The portfolios rely primarily on information provided by Portfolio Managers in valuing investments in Portfolio Funds and determining the value of shares, and thus, there is a risk that inaccurate valuations provided by Portfolio Managers could indirectly adversely affect the value of shares and the amounts investors receive upon the redemption of shares.

***Delayed Tax and Annual Reporting Information.*** For the portfolios to complete their tax reporting requirements and to provide an audited annual report to investors, they must receive information on a timely basis from the Portfolio Managers. The Portfolio Manager's delay in providing this information could indirectly delay the portfolios' preparation of tax information for investors, which might require investors to seek extensions on the time to file their tax returns, or could delay the preparation of the audited annual report.

***Additional Fees.*** An investor who meets the conditions imposed by the Portfolio Managers, including minimum initial investment requirements that may be substantially higher than those imposed by the Funds, could invest directly in Portfolio Funds. By investing in Portfolio Funds indirectly through a Fund or Separate Account, an investor bears a pro rata portion of the management fee and incentive fee, if any, and other expenses of the Fund or Separate Account and also indirectly bears a pro rata portion of the asset-based fees, performance-based compensation and other expenses borne by the Fund as an investor in Portfolio Funds.

***Indemnification.*** The Funds or Separate Accounts may agree to indemnify certain of the Portfolio Funds and their Portfolio Managers from any liability, damage, cost or expense arising out of, among other things, certain acts or omissions relating to the offer or sale of the interests in such Fund or Separate Account. Such agreement may differ depending upon the Portfolio Fund.

***Independent Portfolio Managers.*** The Portfolio Managers generally invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Portfolio Managers do, in fact, hold offsetting positions, the Funds or Separate Accounts may not achieve any gain despite incurring investment expenses, including, without limitation, performance-based compensation. In addition, there may often be times when a particular Portfolio Manager may receive performance-based compensation in respect of the investments for a period even though the Funds' overall portfolio depreciated during such period. Some Portfolio Managers also may compete with each other from time to time for the same positions in certain markets. Such competition may adversely affect the performance of the Portfolio Funds managed by such Portfolio Managers. In addition, although the Adviser receives detailed information from each Portfolio Manager regarding its investment performance and investment strategy, the Adviser may have little or no means of independently verifying this information. A Portfolio Manager may use proprietary investment strategies that are not fully disclosed to the Adviser, which may involve risks that are not anticipated by the Adviser.

***"Style Drift."*** The Adviser relies primarily on information provided by Portfolio Managers in assessing a Portfolio Manager's defined investment strategy, the underlying risks of such a strategy and, ultimately, determining whether, and to what extent, it will allocate assets to

particular Portfolio Managers. “Style drift” is the risk that a Portfolio Manager may deviate from his or her stated or expected investment strategy. Style drift can occur abruptly if a Portfolio Manager believes it has identified an investment opportunity for higher returns from a different approach (and disposes of an interest quickly to pursue this approach) or it can occur gradually, such as if, for instance, a “value”-oriented Portfolio Manager gradually increases a Portfolio Fund’s investments in “growth” stocks. Style drift can also occur if a Portfolio Manager focuses on factors it had deemed immaterial in its offering documents- such as particular statistical information or returns relative to certain benchmarks. Additionally, style drift may result in a Portfolio Manager pursuing investment opportunities in an area in which it has a competitive disadvantage or is outside such manager’s area of expertise (e.g., a large-cap manager focusing on small-cap investment opportunities). Moreover, style drift poses a particular risk for multiple-manager structures since, as a consequence, the Funds or Separate Accounts may be exposed to particular markets or strategies to a greater extent than was anticipated by the Adviser when it assessed the portfolio’s risk-return characteristics and allocated assets to a Portfolio Manager.

***Redemptions from Portfolio Funds; Re-Allocation of Investments; In-Kind Distributions.*** In addition to the risks associated with “Limited Liquidity” as described below, the portfolios may have limited rights to redeem, transfer or otherwise liquidate investments in Portfolio Funds. Investments in Portfolio Funds are not themselves marketable and therefore the portfolios are not able to readily dispose of interests in Portfolio Funds. Under the terms of the governing documents of the Portfolio Funds, the ability to redeem any amount invested therein may be subject to certain restrictions and conditions, including restrictions on the redemption of shares for an initial period (“lock-up”), restrictions on the amount of redemptions and the frequency with which redemptions can be made, and investment minimums which must be maintained. Additionally, the Portfolio Funds typically reserve the right to reduce (“gate”) or suspend redemptions and to satisfy redemptions by making distributions in-kind, under certain circumstances. The ability to redeem all or any portion of shares may be adversely affected to varying degrees by such restrictions depending on, among other things, the length of any restricted periods imposed by the Portfolio Funds, the amount and timing of a requested redemption in relation to the time remaining of any restricted periods imposed by related Portfolio Funds, the aggregate amount of redemption requests, the next regularly scheduled redemption dates of such Portfolio Funds, the imposition of “gates” or suspensions, the decision by a Portfolio Fund to satisfy redemptions in kind and the satisfaction of other conditions.

Events in the world financial markets, such as those that occurred in September and October 2008, may materially adversely affect Portfolio Funds, potentially limiting the portfolio's ability to fully exercise its redemption rights with regard to Portfolio Funds due to "gates," suspensions and distributions in kind. Additionally, in some cases Portfolio Managers may also suspend the determination of the net asset value of all or a portion of their portfolios. The absence of such valuations would make it more difficult for the Adviser to accurately value the portfolio.

In addition, the Portfolio Funds may invest a portion of their assets in restricted or nonpublicly traded securities, securities of distressed issuers, securities traded on foreign exchanges, and futures contracts. Futures positions may be illiquid because certain 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.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the 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. Such investment positions could prevent a Portfolio Manager from liquidating unfavorable positions promptly and subject the portfolios to substantial losses. Similar limits may apply to securities traded on a foreign exchange.

Portfolio Funds also may be permitted to redeem their interests in kind. Thus, upon the withdrawal of all or a portion of their interest in a Portfolio Fund, the portfolios may receive securities that are illiquid or difficult to value. In the event the Funds were to receive such securities, they would be required to dispose of such securities immediately either through liquidation or by distributing such securities to investors in connection with redemptions by investors of all or a portion of their shares. Similarly, while the Adviser expects to distribute cash to redeeming investors, there can be no assurance that the portfolios will have sufficient cash to satisfy redemption requests, or that it will be able to liquidate investments at the time of such redemption requests. In situations in which investments in one or more Portfolio Funds may be designated as “Special Investments” due to the difficulty in valuing such investments, certain Funds may, in its discretion, distribute a pro rata portion of the shares of special purpose vehicles attributable to such Portfolio Fund investments to redeeming shareholders. The investments so distributed may not be readily marketable or salable and may have to be held by such investors for an indefinite period of time.

***Limited Liquidity.*** The Funds or Separate Accounts may make additional investments in or effect redemptions from Portfolio Funds only at certain times pursuant to limitations set forth in the governing documents of the Portfolio Funds. In addition, while the Portfolio Funds primarily invest in marketable securities, a Portfolio Fund may invest in securities or other investments which are illiquid or have limited liquidity, including, but not limited to, restricted securities which may have terms that limit their resale to other investors or may require registration under applicable securities laws before they may be sold publicly. As a result, a significant portion of the portfolios may, in turn, become illiquid or have limited liquidity. The portfolios may also have limited liquidity as a result of “style drift” as described above or in the event of substantial withdrawals of capital from a Portfolio Fund. Should an investment in a Portfolio Fund become illiquid or have limited liquidity, the Adviser may not be able to withdraw such investment promptly after it has made a decision to do so, which may result in a loss and adversely affect investment returns.

***Misconduct or Bad Judgment of Portfolio Managers and Their Service Providers.*** Misconduct by employees of the Portfolio Managers or by their third-party service providers could cause losses. Employee misconduct could include binding a Portfolio Fund to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses) or other fraud. Losses could also result from actions by third-party service providers, including, without limitation, failing to recognize trades and misappropriating assets. Although the Adviser will seek to monitor Portfolio Managers, their Portfolio Funds and service providers, such measures may not be effective in all cases in detecting fraud or misconduct.

In addition, the portfolios will still face the risk of Portfolio Manager misrepresentation, material strategy alteration or poor judgment. Although Portfolio Managers are required to adhere to the offering documents for the respective funds, the Adviser cannot control the investments made by a Portfolio Manager. The Adviser's sole remedy in the event of a deviation by a Portfolio Manager from its offering documents (such as in the case of "style drift") may be to withdraw capital from a Portfolio Fund, subject to any applicable withdrawal restrictions.

**The foregoing risk factors are not a complete explanation of all risks involved in an investment in a Fund, underlying Portfolio Fund, a Separate Account, or engaging the assistance of the Adviser or any sub-advisers. Prospective investors and Clients should read this entire brochure as well as the Adviser's Form ADV Part 1A, Part 2B, applicable offering documents, supplements and subscription documents, and consult with their own counsel and advisers before deciding to obtain the services of the Adviser or to invest.**

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

Information required by this Item is not applicable to the Adviser.

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

WFIG owns a minority equity interest in the Adviser that provides WFIG with certain minority investor protections. The equity interest that WFIG holds is non-voting. Moreover, the Adviser operates independently of the Wells Fargo group of companies. WFIG may acquire additional ownership interests in Rock Creek through long-term put and call arrangements in subsequent years, subject to customary conditions.

Certain affiliates of the Adviser act as general partners or managing members in certain of the Separate Accounts and other investment vehicles managed by the Adviser. The Adviser may present qualified and suitable clients information about the opportunity to invest in the Funds or Separate Accounts and in turn in the Portfolio Funds. The Adviser and its employees do not receive any compensation in connection with such investments, other than the receipt of ordinary advisory compensation and incentive fees/allocations, if applicable, from the Funds or Separate Accounts in which investors invest.

The Portfolio Managers selected by the Adviser may manage other accounts and may have financial incentives to favor certain of such accounts over the Funds or the Separate Accounts. Any of the Portfolio Managers' proprietary accounts and other client accounts may compete with the Funds or Separate Accounts for specific trades, or may hold positions opposite to positions maintained on behalf of the Funds or Separate Accounts. The Portfolio Managers may give advice and recommend securities to, or buy or sell securities for, the Portfolio Funds in which the Funds' assets are invested, which advice or securities may differ from advice given to, or securities recommended or bought or sold for, other accounts and customers even though their investment objectives may be the same as, or similar to, those of the Funds.

Furthermore, the Portfolio Managers may be engaged in substantial investment activities other than managing the assets of Portfolio Funds and allocate their time and activity among Portfolio Funds, and their other clients. Moreover, each Portfolio Manager and its affiliated companies and their principals, officers, and employees may buy and sell securities or other



investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made on behalf of the Funds or Portfolio Funds.

To protect the interests of Clients, Advisory Clients and investors, the Adviser, among other things, maintains internal policies and procedures, including a Code of Ethics, along with controls and a compliance program to aid in the detection and prevention of breaches of any fiduciary duties; conflicts of interests; insider trading; certain disallowed political activities; violations of the securities laws and regulations; improper allocations of investment opportunities; breaches of confidentiality, violations of security and privacy policies; and to promote the proper valuation and reporting of investment activities and holdings. Further, several of the Funds currently have independent directors. Third-party administrators are also utilized to provide independent valuation and administration services for the Funds and Separate Accounts. As part of the due diligence process on Portfolio Funds, reviews and ongoing monitoring is conducted on Portfolio Funds and Portfolio Fund Managers.

The Adviser has an advisory committee available for consultation with the Adviser on a variety of topics. Any advisory committee recommendations are advisory in nature and non-binding.

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

The Adviser has adopted a Code of Ethics that is designed to detect and prevent potential conflicts of interest between the Adviser and its clients.

The fundamental position of the Adviser is that, in effecting personal securities transactions, personnel of the Adviser must place at all times the interests of clients ahead of their own pecuniary interests. Certain key elements of the Adviser's Code of Ethics include the following:

- Officers, directors and employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding these securities or communicating material non-public information to others.
- Employees are required to place the interest of clients above the interests of the Adviser or other employees whenever a conflict may be present.
- Certain employees are required to submit annual securities holdings reports and quarterly securities transaction reports for their own accounts or any account in which they have a direct or indirect beneficial interest. However reports are not submitted for transactions in money market instruments, direct obligations of the United States government, and shares of U.S. registered open-ended mutual funds.
- Employees are required to certify annually that they have complied with the Adviser's Code of Ethics.

- Employees may not give or accept gifts or entertainment that are inappropriate or could be seen as overly generous or which could influence employee decision-making.
- Certain employees are required to obtain advance approval to serve as a director or trustee of for-profit organizations and disclose any service on the board of any organization, including non-profit organizations.
- Certain employees are required to pre-clear any transactions in privately offered securities and initial public offerings.
- Employees that become aware of any violation of the Code of Ethics are required to report such violation to the Chief Compliance Officer.

A copy of the Adviser's Code of Ethics is available to any existing or prospective investor or Client upon request to Sherri Rossoff at (202) 331-3425 or 1133 Connecticut Ave., NW, Washington, DC 20036.

The Adviser, as a fund of funds, recommends that prospective clients invest in Funds or Separate Accounts managed by the Adviser. The Adviser or a related person recommends to Clients that they buy investment products in which the Adviser or a related person has some financial interest. Specifically, the Adviser, and its officers, managers and employees, as well as affiliated entities, may have an interest, as general partner, investor, managing member, or otherwise, in one or more of the Funds, subject to the restrictions of the Code of Ethics. Also, in the past, the Adviser had deferred all or a portion of its investment advisory fees payable by certain Funds and thereby became a creditor to these Funds. The amount payable to the Adviser was adjusted during the deferral period to reflect the subsequent losses and/or profits of the Funds.

The Adviser no longer defers all or any portion of its investment advisory fees payable by the Funds. However, previously deferred fees remain in the Funds from prior years and will be paid out to the Adviser when required. The Adviser remains a creditor to these Funds until the deferred fees are paid out.

The Adviser may invest assets of Separate Accounts in certain Funds in accordance with Separate Account investment guidelines. The Separate Account, in such cases, purchases a share class of the Funds that does not charge fees to avoid the duplication of fees.

The Adviser may affect transactions, generally for rebalancing purposes or based upon Client specific portfolio guidelines, whereby one account will sell an interest in an underlying Portfolio Fund and another Client account is purchasing such an interest. Generally, such transactions are structured as separate redemptions and subscriptions for the respective Clients; however, in certain circumstances it may be in the best interests of such Clients to structure these transactions with the Portfolio Fund as a transfer (*e.g.*, to retain the benefit of an underlying Portfolio Fund high-water mark or credit for a lock up).

## **Item 12. Brokerage Practices**

**Brokerage Transactions.** As a manager of funds of funds portfolios, the Adviser does not generally execute transactions in individual securities. The Adviser may enter into a limited number of certain derivatives transactions and purchases and sales of futures contracts, foreign currencies, and exchange traded funds in connection with a Separate Account if specified in the guidelines. In such instances, the risks discussed under Item 8 above regarding derivatives, futures, foreign currency trading, and exchange traded funds, among others, would be applicable.

Subject to each portfolio's investment objectives, policies and strategies, the Adviser generally has authority to determine, without obtaining specific client consent, the securities to be bought and sold, the amount of the securities to be bought or sold, the broker or dealer to be used, and the commission rates paid, if applicable. Given the nature of the assets held by the Funds, which invest primarily in underlying Portfolio Funds, transactions for the Funds and the Clients will generally be negotiated transactions rather than traditional brokerage transactions. When brokerage services are required, the Adviser will seek the best execution in selecting brokers to execute transactions by evaluating factors such as price, size of order, difficulty of execution and operational facilities of a brokerage firm, the scope and quality of brokerage services provided, and the firm's risk in positioning a block of securities. The Adviser will have no obligation to deal with any broker or group of brokers in executing transactions. With respect to such direct investments, the Adviser will select brokers or counterparties based on competitive commission rates, expertise and the capacity and willingness to execute the transactions.

The Adviser does not receive other products, research, or services (soft dollar benefits) from broker-dealers or third-parties in connection with client transactions. The Adviser does not suggest broker-dealers to clients. Neither, the Adviser nor a related person has any arrangements, oral or in writing, where they directly or indirectly compensate any person, including broker-dealers, for client referrals. Also, because the Adviser is an adviser to funds of hedge funds and/or Separate Accounts invested in such funds, it is not subject to circumstances in which trade aggregation occurs. Such trade aggregation, if any, may take place within the Portfolio Funds and are managed by the Portfolio Managers, which are unaffiliated with the Adviser.

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

The Adviser's investment team monitors the portfolios once a month. In addition, the investment team maintains a regular dialogue with each underlying Portfolio Manager through e-mails, telephone calls and on-site meetings to check that the Portfolio Managers have sufficient infrastructure and staff to carry out the investment strategy for the Portfolio Funds.

The investment teams comprise at least two experienced investment professionals responsible for manager selection, portfolio construction, monitoring, and due diligence. These teams also utilize professionals experienced in risk management. The investment committee, headed by Ms. Beschloss, has the final authority to make all investment decisions.

Generally Clients receive monthly, quarterly or other periodic reports that may include market updates, investment commentary and performance reviews. To the extent practicable, the

Adviser will provide Clients with a preliminary estimate on the monthly performance of their investments within 15 business days after the end of each month. Generally, Clients will receive a final monthly performance statement after the end of the following month. Rock Creek and its Clients may also agree that Rock Creek will provide certain other reports.

Audited financial statements and tax forms will be completed within a reasonable time after the end of the calendar year for investors. Annual financial statements for the Funds' are audited by an independent certified public accounting firm.

The Adviser provides the Separate Accounts with periodic unaudited reports at such times as agreed upon. In addition, since a Separate Account investor directly owns the positions in its account, such investor may have full, real time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to that of a Fund. The investors in such Separate Accounts may have the right to withdraw all or a portion of their capital from such accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the Funds.

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

Rock Creek does not have any arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients. The Adviser's Code of Ethics generally prohibits employees from accepting gifts, favors, and other inducements from counterparties or service providers, excepting certain common business courtesies.

#### **Item 15. Custody**

Under Rule 206(4)-2 of the Investment Advisers Act of 1940, Rock Creek may be deemed to have custody of funds or securities even though Rock Creek does not have physical possession of these items and they are not registered in Rock Creek's name. Generally, the underlying Portfolio Funds' cash and securities are held by banks and/or broker-dealers. The Funds and Separate Accounts, as applicable, are audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board and audited financial statements are distributed by a third-party administrator to investors in such Funds or Separate Accounts within 180 days of the end of each Client's fiscal year, as required for a fund of funds. Certain investors also utilize their own custodians, and receive statements on a monthly basis directly from such custodians.

**All investors should carefully review financial statements and investors utilizing their own qualified custodian should carefully review custodian statements they receive directly and compare them to any account statements or other information provided by the Adviser.**

## **Item 16. Investment Discretion**

Rock Creek generally has complete discretion to determine the securities and amount thereof to be bought or sold for Funds or Separate Accounts as generally set forth in an investment management agreement, subscription agreement or similar documentation. Advisory Clients may be advised on a nondiscretionary basis. The activities engaged in by the Adviser on behalf of the Funds will be subject to the investment objectives, policies, and restrictions of each Fund and the control of the respective Funds' Boards of Directors, while such activities engaged in by the Adviser on behalf of a Separate Account is subject to the investment objectives set forth in the respective investment management agreement or similar provisions contained within governing documents.

Investors in the Funds generally may not place any limits on the Adviser's authority beyond the limitations set forth in the offering and governing documents of such Funds. On a case by case basis, owners of the Separate Accounts may negotiate certain risk, investment and operating guidelines that the Adviser will adhere to when exercising its discretionary authority.

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

The Adviser has adopted written proxy voting policies and procedures as required by Rule 206(4)-6 of the Investment Advisers Act of 1940. Given the nature of the interests held by the portfolios, which invest primarily in underlying Portfolio Funds, votes cast by the Adviser generally occur in relation to private securities issued by the Portfolio Funds themselves, and not the underlying public or private securities that may be owned by the Portfolio Fund. The major provisions of the Adviser's proxy voting policies include:

- Consistent with its fiduciary duty, the Adviser is responsible for exercising voting authority on behalf of each Client if/when any Portfolio Fund holds a vote on any issue affecting its investors. Pursuant to the investment management agreements between the Adviser and each Fund and Separate Account client, the Adviser is granted voting authority unless there is a non-discretionary account or advisory only mandate.
- The Investment Committee will evaluate each voting issue solely in light of the Client's best interests, including any written requirements specific to the Client or Separate Account and vote accordingly. In carrying out this responsibility, the Adviser is obligated to (i) review any written materials provided regarding the issue subject to a vote, and (ii) determine what vote represents each voting Client's best interests.
- In the event a specific voting issue arises in which the Adviser or one or more Adviser personnel has a material conflict, the Adviser shall (a) contact each Client and each investor in the affected Fund and follow the voting recommendations of a majority of such members; or (b) require recusal of the conflicted person from the deliberation and decision-making process.

Copies of the Adviser's proxy voting policy and procedures and information about how the Adviser votes the proxies involved may be requested by submitting a written request to the Adviser.

**Item 18. Financial Information**

Information required by this Item is not applicable to the Adviser.

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

Information required by this Item is not applicable to the Adviser.