



## **Form ADV Part 2A Brochure for Metropolitan Real Estate Equity Management, LLC**

**March 30, 2016**

---

### **Item 1. Cover Page**

This brochure provides information about the qualifications and business practices of Metropolitan Real Estate Equity Management, LLC (the “Adviser” or “Metropolitan”). If you have any questions about the contents of this brochure, please contact us at (212) 812-4950 or [legal@mreem.com](mailto:legal@mreem.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at <http://www.adviserinfo.sec.gov>. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Metropolitan Real Estate Equity Management, LLC  
299 Park Avenue, 35<sup>th</sup> Floor  
New York, New York 10171  
Tel: (212) 812-4950  
Fax: (646) 735-4221  
Website: [www.mreem.com](http://www.mreem.com)

---

**Item 2. Material Changes**

This brochure is intended to provide potential and existing clients with an overview of the Adviser. It also contains important disclosures regarding topics such as certain practices of the Adviser, potential material conflicts that may arise and key potential investment risks. There have been no material changes to Metropolitan's brochure since the last annual amendment filed on March 30, 2015.

---

**Item 3. Table of Contents****TABLE OF CONTENTS**

Item 1. Cover Page .....	i
Item 2. Material Changes.....	ii
Item 3. Table of Contents .....	iii
Item 4. Advisory Business .....	1
Item 5. Fees and Compensation .....	4
Item 6. Performance-Based Fees and Side-by-Side Management .....	9
Item 7. Types of Clients.....	10
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9. Disciplinary Information .....	26
Item 10. Other Financial Industry Activities and Affiliations .....	27
Item 11. Code of Ethics, Participation or Interest in .....	30
Item 12. Brokerage Practices .....	41
Item 13. Review of Accounts .....	42
Item 14. Client Referrals and Other Compensation .....	43
Item 15. Custody .....	44
Item 16. Investment Discretion .....	45
Item 17. Voting Client Securities.....	46
Item 18. Financial Information .....	47

---

## Item 4. Advisory Business

### Business Background

The Adviser is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The Adviser is based in New York City and operates globally with personnel located in San Francisco, Hong Kong and London. The Adviser commenced operations as an investment adviser in July 2002 and has been registered with the SEC since January 2006. In November 2013, Metropolitan was acquired by The Carlyle Group (“Carlyle”). The Adviser provides investment advisory services to pooled investment vehicles sponsored by Metropolitan (“Funds”) and to customized separately managed accounts (“Managed Accounts” and together with Funds, “Advisory Clients”) on both a discretionary and non-discretionary basis. The Adviser also provides sub-advisory services to third-party managed private funds. The entities and individuals who invest in Funds are generally referred to herein as “investors.” Unless otherwise expressly stated herein, any references to “Advisory Clients” do not include such “investors.”

The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of its Advisory Clients, managing and monitoring the performance of such investments and disposing of such investments. The Adviser manages the assets of each Advisory Client in accordance with the terms of the governing documents and/or the investment advisory agreement applicable to such Advisory Client.

The investment objective of each Advisory Client is principally focused on value-add and opportunistic private investments in office, apartment, industrial or other commercial real estate, as well as in real estate-related securities (including debt or mezzanine participations), located in the United States, Europe and the Asia Pacific region. The investments pursued by the Adviser generally fall within three investment strategies:

- *Primary Fund Investments.* Direct subscriptions for interests in private equity real estate funds sponsored by third-party managers (such underlying funds are hereinafter referred to as “Underlying Funds”);
- *Secondary Investments.* Secondary purchases of interests in Underlying Funds and privately held real estate assets from existing investors; and
- *Co-investments.* Co-investments in single real estate assets or portfolios of real estate assets as well as direct subscriptions for interests in Underlying Funds that are dedicated co-investment funds sponsored by third-party managers.

The Adviser provides advice based on the specific investment objectives and strategies of each Advisory Client. The Adviser may tailor advisory services to the individual needs of each

Advisory Client. For instance, the Adviser may provide advisory services to Advisory Clients with different investment mandates. As such, the investment guidelines set forth by each Advisory Client may vary with respect to property type, geographic market, manager and strategy (e.g., distressed debt, international investments, etc.). All final investment decisions are made by the Adviser's Investment Committee.

As of December 31, 2015, the Adviser had approximately \$3.2 billion in capital commitments under management and approximately \$1.9 billion in assets under management, \$1.8 billion of which are managed on a discretionary basis and \$100 million of which are managed on a non-discretionary basis.

### The Carlyle Group

Carlyle, founded in 1987, is one of the largest and most diversified multi-product global alternative asset management firms in the world. Carlyle operates its business, through Carlyle Investment Management L.L.C. ("CIM") and several other Carlyle-affiliated investment advisers (including the Adviser), across four segments: (i) Corporate Private Equity, (ii) Real Assets, (iii) Global Market Strategies, and (iv) Investment Solutions.

The Adviser is the private real estate asset manager and adviser in Carlyle's Investment Solutions business segment ("Investment Solutions"). Investment Solutions primarily operates through the Adviser and AlpInvest Partners B.V. ("AlpInvest"), as well as certain Carlyle personnel associated with CIM.<sup>1</sup> Investment Solutions is headed by Lauren Dillard, a Carlyle Managing Director and Partner. Apart from its relationship with Investment Solutions, the Adviser generally has an existence independent of Carlyle and primarily carries out its investment operations independently of Carlyle and its affiliated entities; however the Adviser shares or leverages certain operational functions and resources at Carlyle, such as corporate accounting, information technology and compliance. Carlyle maintains a one-way information barrier between Investment Solutions (which includes the Adviser), on the one hand, and the other business segments of Carlyle, on the other hand. The Investment Solutions information barrier restricts the flow of certain non-public, commercially sensitive information from Investment Solutions to the other Carlyle business segments, other than for certain regulatory, reporting and similar purposes. Although Carlyle maintains ultimate control over the Adviser, the Adviser's senior management team continues to exercise independent investment authority without involvement by Carlyle (although certain Carlyle professionals who are members of Investment Solutions may observe the Adviser's investment decision-making processes).

---

<sup>1</sup> In February 2016, Carlyle decided to restructure its Investment Solutions segment to focus on private market secondaries, co-investment and managed account activities, and discontinue its fund of hedge funds and liquid alternative initiatives. In connection with the restructuring, Carlyle commenced a wind down of the operations of Diversified Global Asset Management Corporation ("DGAM"), an affiliate of the Adviser and global manager of hedge funds based in Toronto, Canada, acquired by Carlyle in February 2014.

In addition, The Carlyle Group L.P. (the “Public Company”) is a publicly traded partnership traded on the NASDAQ stock exchange as ticker CG and is part of Carlyle. The Public Company indirectly owns 100% of the equity interests of the Adviser and is an affiliate of the Adviser. Carlyle Group Management L.L.C. is the general partner of the Public Company and may be deemed to indirectly control the Public Company’s business for regulatory purposes. Carlyle Group Management L.L.C. is managed by a Board of Directors (Carlyle’s founders, William E. Conway, Jr., Daniel A. D’Aniello, and David M. Rubenstein represent a majority in interest of the membership interests in Carlyle Group Management L.L.C. and, accordingly, have the ability to appoint and remove the members of the entity’s board of directors, subject to the terms of its limited liability company agreement) and certain other senior Carlyle professionals. Additional information is also available in current public filings with the SEC for the Public Company (see [www.carlyle.com](http://www.carlyle.com), go to the “Financial Information” portion of the “Public Investors” page). The term “investor” is not intended to refer to any unitholders of the Public Company.

The Adviser and other Carlyle-affiliated advisers (e.g., CIM, AlpiInvest and DGAM) may act as an investment adviser to certain advisory clients within Investment Solutions, and the Adviser also acts as a sub-adviser to a third-party managed private fund alongside CIM. Advisory services may include making recommendations to such advisory clients regarding overall investment strategy across the alternatives asset class or allocation, including recommended allocations of capital to certain investment vehicles sponsored by the Adviser, Carlyle and/or AlpiInvest.

For purposes of this brochure, unless otherwise indicated, references to the “Adviser” or to “Metropolitan” (or its affiliates or its related entities) do not include references to Carlyle or any of its other affiliated entities, including CIM, AlpiInvest and DGAM. Neither the term “Advisory Client” nor the term “investor” is intended to refer to any unitholders of the Public Company.

---

## Item 5. Fees and Compensation

The Adviser and/or its affiliates generally receive management fees and/or performance-based allocations (*e.g.*, carried interest or similar profit allocations) from Advisory Clients. The specific legal and/or organizational documents of Advisory Clients (which may include limited partnership or other governing agreements, subscription agreements and side letters) or the investment advisory agreement between the Adviser and such Advisory Client set forth the fee structure relevant to such Advisory Client. Advisory Clients typically also bear certain out-of-pocket expenses incurred by the Adviser and its affiliates in connection with the services provided to such Advisory Clients. Fees and other compensation, as well as other out-of-pocket costs and expenses of the Funds are ultimately borne by the investors in such Funds.

The following sections discuss the most common fees and expenses in more detail.

### Common Types of Fees

#### *Management Fees, Administrative Fees and Carried Interest*

Each Advisory Client pays the Adviser an asset management fee (the “Management Fee”) semi-annually in advance. The Management Fee is generally calculated at the annual rate of 1% of capital commitments until the third anniversary of the final closing date of the Fund (or for certain legacy Funds until the end of the investment periods of all of the Underlying Funds), and thereafter the basis for the Management Fee changes to capital contributions allocable to unrealized investments (or for certain legacy Funds, unreturned capital contributions); however some Managed Accounts are charged a Management Fee based on capital contributions allocable to unrealized investments for the duration of the Managed Account. When a new limited partner is admitted to a Fund following the date on which the Fund first admitted limited partners, the new limited partner will generally be charged a Management Fee retroactive to the initial closing date. Additionally, Management Fees are generally required to be returned to an Advisory Client should the Adviser’s management services to such Advisory Client be terminated prior to the end of the period in respect of which the fees have been paid (unless otherwise agreed to by the requisite holders of interest in a Fund or Managed Account as set forth in such Advisory Client’s governing agreements). In general, the amount of such fees to be returned is calculated based on the number of days remaining in the applicable period.

Management Fees are generally paid by or on behalf of an Advisory Client by (i) requiring investors in such Advisory Client to make capital contributions in respect of such fees, or (ii) withholding the amount of such fees from investment proceeds that would otherwise be distributable to the investors of such Advisory Client. In addition, the Adviser or its affiliates often has the ability to cause an Advisory Client to borrow money for the payment of such fees. Management Fees are negotiable and, depending on the Advisory Client, may vary for different

third-party investors, typically based on commitment size (including aggregate commitments of third-party investors that share a common consultant or financial advisor). Further, the Adviser has offered (and may offer in the future) management fee rebates or reductions to third-party investors in a Fund if they are able to make a commitment to the Fund early in the fundraising process for such Fund.

In addition to Management Fees, the Adviser or one of its affiliates (*e.g.*, the general partner of a Fund) is generally entitled to receive carried interest or similar profit allocations ("Carried Interest") from an Advisory Client. Carried Interest is a performance-based profit allocation based on a share of the income and gains of the assets in each Advisory Client. Carried Interest allocations typically range between 3% and 5% of distributions after the Advisory Client or a Fund's investors have received a return of their contributed capital plus a preferred return of 9%.

With respect to each of the two Funds that are focused on distressed real estate-related opportunities primarily in the United States (each, a "Distressed Strategy Fund"), the Adviser receives a Management Fee calculated at the annual rate of 0.5% of capital commitments until the end of the investment period of the Underlying Funds; thereafter, the basis for the Management Fee switches to invested capital. In addition, the general partner of each Distressed Strategy Fund (a related person of the Adviser) is entitled to Carried Interest equal to 10% of a Distressed Strategy Fund's distributions after its investors have received a return of their contributed capital plus a preferred return of 10%.

With respect to the Adviser's Advisory Clients that are focused on the acquisition of co-investments (either directly or through an investment entity sponsored third-party managers) and/or interests in Underlying Funds acquired on the secondary market, the Adviser or one of its affiliates (*e.g.*, the general partner of a Fund) is typically entitled to Carried Interest equal to 10% of distributions after the Advisory Client or Fund's investors have received a return of their contributed capital plus a preferred return of 8%.

Carried Interest is subject to regulation under Section 205 of the Advisers Act and Rule 205-3 thereunder. Therefore, the Adviser seeks to ensure that any Advisory Client or investors in any Fund that are directly or indirectly assessed such performance-based allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such performance-based allocations arrangements and their risks.

Typically, each investor in a Fund with a capital commitment of less than \$5,000,000 may be required to pay an administration fee (the "Administration Fee") to the Adviser. The Administration Fee is payable semi-annually in advance and is calculated at the annual rate of 0.35% of capital commitments until the third anniversary of the final closing date of the Fund (and for certain legacy Funds, until the end of the investment periods of all the Underlying Funds); thereafter, the basis for the Administration Fee changes to capital contributions allocable to unrealized investments (or for certain legacy Funds, unreturned capital contributions). The Adviser and its affiliates typically waive or reduce the Administration Fee

with respect to investors who are supervised persons or affiliates of the Adviser, relatives of such persons, and for certain strategic investors.

Management Fees and Carried Interest arrangements are subject to modification, waiver or reduction in connection with an investment in one or more Funds. Furthermore, the Adviser, its affiliates and equity owners (including Carlyle), and certain of their respective professionals may invest in or alongside an Advisory Client. Management Fees and Carried Interest on such investments may be substantially reduced or, as is more typical, waived altogether for these investors.

Some Advisory Clients specifically invest in one or more Funds. In such cases, the Advisory Client is not typically charged any direct management fees or makes any Carried Interest distributions, but it will bear its *pro rata* share of the fees and expenses (including management fees) of, and Carried Interest distributed by, the underlying Funds managed by Metropolitan in which it has invested. However, such Advisory Clients may be charged an Administration Fee.

#### *Other*

Metropolitan and its personnel can be expected to receive certain intangible and/or other benefits arising or resulting from their activities on behalf of Advisory Clients that will not be subject to the management fee offset or otherwise shared with the Advisory Clients, investors and/or portfolio companies. For example, airline travel or hotel stays incurred as Advisory Client expenses typically may result in “miles” or “points” or credit in loyalty/status programs, and such benefits will, whether or not *de minimis* or difficult to value, inure exclusively to the Adviser and/or such personnel (and not the Advisory Clients or their investors) even though the cost of the underlying service is borne by the Advisory Clients and/or their investors.

#### Common Types of Expenses

##### *Fund Organizational and Operational Expenses*

Typically, legal, accounting, filing, travel and other expenses incurred in connection with organizing and establishing a Fund, including the offering of interests in the Fund, are borne by the investors in such Fund. Often, the organizational expenses borne by a Fund are capped in the governing documents for the Fund and any excess may offset future management fees (but will not in any case be borne by the investors in the Fund).

Investors in Funds will also typically bear all the costs and expenses relating to the operations of the Fund. These costs and expenses can include fees, costs and expenses related to identifying, investigating, developing, negotiating, structuring, trading, settling, monitoring, holding and disposing of portfolio investments, including due diligence costs and expenses (including travel expenses such as air travel, private car or taxi transportation, lodging and meals, and broker or finder commissions); fees, costs and expenses related to the organization, operation or maintenance of intermediate entities or similar administrative structures used to acquire, hold, dispose of, or otherwise facilitate portfolio investments (including related travel and

accommodation expenses, and other related expenses); fees and expenses of administrators, custodians, attorneys, accountants, valuers and other professionals (including the audit and certification fees and the costs of printing and distributing reports); costs incurred in printing, distributing and otherwise furnishing reports and other financial or investment information to investors (including costs related to information technology management systems (*e.g.*, online reporting portals), meetings with investors and limited partner advisory committee meetings); costs of compliance with any applicable legal and regulatory requirements, including compliance with any Fund-related agreements (*e.g.*, a Fund's partnership agreement or side letter agreements with Fund investors requiring additional reporting), the European Union Alternative Investment Fund Managers Directive, the Foreign Account Tax Compliance Act and the Organisation for Economic Cooperation and Development ("OECD") Common Reporting Standard for Automatic Exchange of Financial Account Information; any insurance, indemnity or litigation expense; interest on, and fees and expenses arising out of, borrowings made by a Fund, including interest on bridge loans and outstanding billings from the Adviser to a Fund and agent servicing fees; the out-of-pocket and legal and other advisory expenses of an investor advisory committee; certain taxes and any fees or other governmental charges levied against a Fund; and costs and expenses incurred in connection with the dissolution and termination of a Fund.

Managed Accounts typically bear substantially the same types of costs and expenses as Fund investors as it relates to the organization, establishment and operation of the Managed Account, but will ultimately be subject to a final agreement as negotiated between the Adviser and such Advisory Client.

#### *Broken Deal Expenses*

Advisory Clients generally are required to bear out-of-pocket costs and expenses occurred in connection with investments that are not ultimately consummated; however, a non-discretionary Advisory Client will not typically bear any such costs and expenses unless such Advisory Client has previously assented to participating in the investment opportunity which then is not ultimately consummated. Typically, these expenses include (i) fees, costs and expenses related to identifying, investigating, developing, negotiating and structuring such aborted investments, including due diligence costs and expenses (including travel costs); (ii) legal, accounting, advisory, consulting or other third-party expenses in connection with making an investment that is not ultimately consummated and any related travel and accommodation expenses; (iii) all fees (including commitment fees), costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment that is not ultimately made; and (iv) any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not ultimately made. In certain circumstances third-party co-investors (*i.e.*, persons who are not Advisory Clients, but who may be investors in a Fund) who have been invited by the Adviser to participate in a co-investment opportunity alongside one or more Advisory Clients that is not ultimately consummated may not be obligated to bear any portion of the out-of-pocket costs

and expenses incurred. In such cases, all broken deal expenses will be borne by one or more Advisory Clients.

#### *Other Expenses*

There are additional general categories of expenses that are to be borne by Advisory Clients, depending on their structure and the terms of the applicable governing documents and investment advisory agreements. For example, Advisory Clients (and, indirectly, investors in the Funds) generally will bear a portion of the fees and expenses associated with investments in Underlying Funds, including organizational costs of such Underlying Funds as well as management fees and carried interest paid by such Underlying Funds. In certain limited cases, Underlying Funds may include private investment funds sponsored by Carlyle or its affiliates, in which case an Advisory Client would bear the fees and other compensation arrangements (e.g., carried interest) charged by Carlyle or one of its affiliates to such Carlyle-sponsored Underlying Funds.

---

**Item 6. Performance-Based Fees and Side-by-Side Management**

As described above, the Adviser or one of its affiliates (*e.g.*, the general partner of a Fund) is typically entitled to receive Carried Interest from its Advisory Clients. The agreements with the Advisory Client (*e.g.*, the limited partnership agreement for a Fund) set forth the formula for the allocation of profits and losses of such Advisory Client and describe the method by which the assets of the Advisory Client's account will be valued.

In allocating investment opportunities, there could be incentives to favor Advisory Clients with potential performance-based allocations (or higher potential performance-based allocations) over Advisory Clients with no (or lower) potential performance-based allocations. In addition, performance-based allocations may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those that would be recommended under different compensatory arrangements. As a control, the Adviser has adopted written policies and procedures pursuant to which it seeks to allocate investment opportunities among Advisory Clients in a fair and equitable manner. Each Advisory Client has its own investment guidelines that must be taken into account when making investment allocation determinations. Final allocation decisions are made in accordance with the Adviser's allocation policies and procedures.

See "Item 11. Code of Ethics, Participation of Participation or Interest in Client Transactions and Personal Trading" for additional information on how conflicts of interest are generally addressed.

---

## Item 7. Types of Clients

Metropolitan provides investment advisory services for Funds and Managed Accounts. Investors in Funds and Managed Accounts are sophisticated institutional investors, including entities associated with U.S. and non-U.S. governments and their instrumentalities (e.g., public pension funds), private pension funds, insurance companies and large endowments, as well as high-net-worth individuals and large family offices. Metropolitan generally structures its Managed Accounts as a “fund of one” where there is a single investor as the sole limited partner (or equivalent) in an investment vehicle organized and managed by Metropolitan or one of its controlled affiliates.

The Adviser typically requires that each third-party investor in a Fund or Managed Account to be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” as defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”). Typically, a minimum investment amount is imposed on third parties investing in the investment vehicles for which the Adviser acts as investment adviser. This minimum typically is set at \$500,000 (but may be set at a higher or lower amount as determined by the Adviser) although the Adviser, in its sole discretion, will often permit commitments that are less than such minimum (subject to applicable legal requirements). A minimum investment amount can also be established pursuant to the laws of the jurisdiction in which the investment vehicle was established.

Interests in Funds and Managed Accounts are offered through private offerings limited to qualified U.S. investors pursuant to exemptions available under the Securities Act and the regulations promulgated thereunder and to qualified non-U.S. persons in accordance with applicable law. Such investment vehicles are not registered with the SEC as “investment companies” pursuant to specific exclusions from investment company status under the Investment Company Act, and do not have the benefit of the protections afforded by the Investment Company Act to investors in registered investment companies or more highly regulated investment funds. The Adviser and certain of its affiliates, equity owners and professionals (including Carlyle professionals) typically also invest in or alongside its Advisory Clients through “feeder” or “parallel” Funds.

---

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

### Methods of Analysis and Investment Strategies

The Adviser's long-term objective for each Advisory Client is to provide attractive investment returns through carefully selected portfolios of real estate investments within the parameters of the investment strategies for each such Advisory Client. The core investment strategies employed by the Adviser to meet this objective are primary fund investments, secondary investments and co-investments, as described in more detail below. Typically, Advisory Clients will invest in, and/or co-invest alongside, Underlying Funds that in turn invest in office, apartment, industrial or other commercial real estate, as well as in real estate-related securities (including debt or mezzanine participations), located in the United States, Europe and the Asia Pacific region.

- *Primary Fund Investments.* The Adviser's primary fund investments strategy seeks to construct portfolios for its Advisory Clients through the subscription of interests in Underlying Funds. The strategy can also include "purchased primaries," which are typically characterized by the purchase of an interest in an Underlying Fund from an existing investor in such Underlying Fund where such Underlying Fund has yet to invest a certain amount of its capital in portfolio investments and such investment would fall outside of the Adviser's secondaries investment strategy.
- *Secondary Investments.* The Adviser's secondary investments strategy seeks to construct real estate investment portfolios by purchasing interests in Underlying Funds (including the related unfunded commitments) and interests in private real estate investments.
- *Co-Investments.* The Adviser's co-investment strategy seeks to create well-diversified real estate investment portfolios by co-investing in single real estate assets or portfolios of real estate assets, as well as by making subscriptions for interests in Underlying Funds that are dedicated co-investment funds sponsored by third-party managers. The Adviser focuses on maximizing the number of investment opportunities and selecting the most attractive deals with qualified sponsors from those investment opportunities.

The Adviser is responsible for investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of an Advisory Client, managing and monitoring the performance of such investments and disposing of such investments. The Adviser manages the assets of each Advisory Client in accordance with the terms of the governing documents and/or the investment advisory agreement applicable to such Advisory Client. In selecting Underlying Funds, the Adviser seeks to create a broadly diversified portfolio of value-add and opportunistic Underlying Funds managed by sponsors with compelling performance track records. The Adviser will also seek co-investment

opportunities with sponsors of Underlying Funds with which it has developed a strong relationship through its primary and secondary investments business. The Adviser looks for sponsors that have a proven track record of adding value at the property level, a clear “sell discipline,” a fiduciary approach to managing investors’ capital, and a well-articulated approach to protecting against possible downside risk.

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The Adviser’s investment process combines a “top-down” analysis of real estate market trends with a “bottom-up” approach to understand the strengths and weaknesses of individual managers, funds, markets, and product types.

The Adviser attempts to create a portfolio of Underlying Funds that is diversified by property type, geographic market, manager and strategy. The Adviser endeavors to select investments that it believes are likely to accomplish the investment objectives of each Advisory Client. Specifically, the Adviser generally will select Underlying Funds based on one or more of the following criteria: (i) investments operated by a deep and experienced management team with a proven track record in their focus property type(s) and markets; (ii) investments with in-house leasing, development, and management capabilities; (iii) management teams that make value-add investments in existing properties (seeking to avoid funds likely to incur significant speculative development risk); (iv) management teams that drive returns through the selection and management of real estate (seeking to avoid funds that use excessive leverage to achieve returns); (v) investments with a significant investment by their sponsor and (vi) investments with an overall financial structure that aligns the interests of the management team with those of the investors.

### Risk Factors

Investing in securities, including interests in Underlying Funds and their portfolio investments, involves a substantial degree of risk (including the risk loss of an investor’s entire investment). These risks, as well as the risks described below, are also applicable to Fund investors. The risk factors and risk of loss described herein should not be considered to be an exhaustive list of all the risks which Advisory Clients and investors in a Fund or Managed Account should consider. Advisory Clients and investors in a Fund or Managed Account should also refer to the applicable offering or organizational documents for additional information on risk factors and risk of loss.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for an Advisory Client, include the following:

### *Investment Risk*

The Adviser’s ability to source and execute quality investments depends on several factors. The Adviser needs to attract, develop and retain professionals with the requisite investment experience. The Adviser needs to optimize information sharing and synergy benefits across its

investment teams. Further, the Adviser needs to undertake thorough assessments of each investment opportunity, using collective knowledge and experience.

The business of identifying and structuring investments of the types contemplated by Advisory Clients and the Underlying Funds is competitive and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities is often limited by market conditions and competition from other groups as well as the prevailing regulatory or political climate. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by an Advisory Client and Underlying Funds or considered for prospective investment. There can be no assurance that the Adviser will be able to identify and complete attractive investments in the future.

Suitable investments may not be available for Advisory Clients, and even if suitable investments are identified, there is a risk that an Advisory Client's investment objectives will not be achieved. The performance of an Advisory Client's portfolio depends on a range of factors, including the quality of the initial investment decision and the ability of the Underlying Fund manager or portfolio investment to drive performance and achieve its strategy. The investment decisions of the Underlying Funds are made by their respective investment managers independently of each other so that, at any particular time, one Underlying Fund may be purchasing an interest in an asset that at the same time is being sold by another Underlying Fund. Transactions of this sort could result in Underlying Funds directly or indirectly incurring certain transaction costs without accomplishing any net (or accomplishing only a limited) positive investment result. While investing with multiple investment managers may create the appearance of a well-diversified portfolio, the Underlying Funds may cooperate on investments or otherwise own the same assets, and independent investment decisions of various investment managers may result in an increase, rather than decrease, in the aggregate risk associated with an Advisory Client's portfolio.

#### *No Assurance of Investment Return*

There can be no assurance that any investment made by an Advisory Client will be able to generate returns or that the returns will be commensurate with the risks of investing in the type of investments in which such Advisory Client participates. There can be no assurance that any Fund or Managed Account will make any distribution to its investors. Accordingly, an investment in an Advisory Client should only be considered by persons (i) for whom a speculative, illiquid and long-term investment is an appropriate component of a larger investment program, (ii) who can afford a loss of their entire investment and (iii) who are able to maintain sufficient capital over a significant period of time to support their capital commitment to a Fund or Managed Account. There can be no assurance that projected or targeted returns for any Advisory Client will be realized.

### *Management Risk*

The success of an Advisory Client's investments will depend in substantial part on the skills and expertise of the investment professionals of the Adviser. There can be no assurance that the Adviser's professionals will continue to be associated with the Adviser during the full term of an Advisory Client. The loss of one or more of the Adviser's key individuals could have a material adverse effect on the Adviser and its Advisory Clients.

### *Third-Party Underlying Fund Management Risk*

Advisory Clients will invest in Underlying Funds generally managed by parties that are independent of the Adviser and its affiliates and that invest, directly or indirectly, in real estate investments. Although the Adviser will evaluate the performance of each Underlying Fund manager, the past performance of an Underlying Fund manager may not be a reliable indicator of future results. Many Underlying Fund managers may not be registered as investment advisers with the SEC, making it more difficult for the Adviser to scrutinize such Underlying Fund managers' credentials. Further, many of the material risks described herein are also applicable to an investment in an Underlying Fund.

In addition, the performance of an Advisory Client is largely dependent in part on the performance results achieved by the Underlying Funds in which the Advisory Client invests. With respect to investments involving Underlying Funds, none of the Adviser or the Advisory Clients generally will have an active role in the day-to-day management of the Underlying Funds, the negotiation or implementation of service provider agreements or the ability to direct the specific investment decisions made by the managers of the Underlying Funds. The failure of such unrelated investment managers to make profitable investments may have a negative impact on an Advisory Client's ability to achieve its investment goals. Advisory Clients may sustain losses with respect to their investments despite the Adviser's efforts to monitor the investment activities of Underlying Funds.

The success of an Underlying Fund will to a great degree rely on the skill and experience of the managers of the Underlying Fund and their ability to manage a franchise successfully, generate attractive returns and retain key talent. Managers of Underlying Funds are likely to rely on a limited number of "key personnel," the departure of which could adversely impact the performance of the Underlying Fund.

### *Due Diligence Risk*

The Adviser seeks to conduct reasonable and appropriate analysis and due diligence in connection with investment opportunities. When conducting due diligence and making an assessment regarding an investment opportunity, the Adviser relies on available resources, including information provided by the Underlying Fund manager or general partner and, in some circumstances, third-party investigations. Further, the Adviser's due diligence process may not reveal all facts that may be relevant in connection with an investment made by an Advisory Client. In some cases, only limited information is available about an Underlying Fund,

an Underlying Fund manager or other investment in which the Adviser is considering making an investment. There can be no assurance that the due diligence investigations undertaken by the Adviser will reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating a particular investment opportunity, or that the Adviser's due diligence will result in an investment being successful.

#### *Risks Related to Investments in Real Estate and Real Estate-Related Securities*

Advisory Clients may invest directly, or indirectly through their interests in Underlying Funds, in office, apartment, industrial and other commercial real estate properties, as well as in real estate-related securities (including debt and mezzanine participations). Accordingly, such investments will be subject to the risks incident to ownership and development of real estate, including risks associated with changes in the general economic climate that create vacancy or put downward pressure on rental rates, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, technological innovations that dramatically alter space requirements, the availability of debt and other financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks (including possible terrorist activity), and government regulations.

Further, investments in real estate assets are typically subject to various U.S. and non-U.S. environmental laws, regulations, and administrative rulings which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Real property owners are subject to federal and state environmental laws which impose joint and several liability on past and present owners and users of real property for hazardous substance remediation and removal costs. In addition, investments in real estate or interests in real estate are illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors. Accordingly, there can be no assurance that the disposition of such investments can be made in a timely manner and/or on favorable terms. Furthermore, there can be no assurance that there will be tenants or purchasers for the office or commercial space or residential units ultimately developed.

#### *Risks Related to Asset-Backed Securities and Mortgage-Backed Securities*

Asset-backed securities and mortgage-backed securities may be subject to interest rate risk, credit risk associated with the performance of the underlying asset or mortgage property and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral. Mortgage-backed securities are affected by factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates and regulatory or

zoning restrictions, or the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, these mortgage-backed securities are subject to prepayment risk. Some mortgage-securities have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile.

#### *Risks Related to Distressed Securities and Situations*

Investments in Underlying Funds that focus on distressed situations and/or invest in unrated or low-grade debt securities of distressed assets are subject to significant risks, including, but not limited to: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Also, securities of distressed assets are generally more likely to become worthless than the securities of more financially stable assets. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

#### *Risks Related to Investments in Emerging Markets.*

Investments in less developed countries, sometimes referred to as emerging markets, typically are riskier than investments in developed countries. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries could have an adverse effect on the value of the securities of companies that trade or operate in such countries and the value of property and other assets in such countries.

Investments in emerging markets may be subject to a greater risk of loss than investments in more developed and traditional markets (such as the United States and the European Union). Emerging markets are more likely to experience inflation, currency and liquidity risks, geopolitical turmoil, and rapid changes in economic conditions than more developed and traditional markets. Emerging markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities. Predictions about general economic and market conditions are uncertain and the impact of such factors will be larger or smaller depending on the types of investments and the markets in which they trade.

#### *Risks Related to Fixed-Income and Debt Securities*

Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject an Underlying Fund's portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a

debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

### *Risks Related to REITs*

Private REIT structures through which certain Underlying Funds invest in real estate or real estate-related securities are subject to changes in tax laws that could impact the net after-tax returns of an investment. Additionally, REITs are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which an Underlying Fund has an interest concentrate investments in particular geographic regions or property types. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification.

### *Competition Risk*

The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that the Adviser will be able to locate, consummate and exit investments that satisfy its rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital.

### *Diversification Risk*

Advisory Client investments will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, Advisory Clients' portfolios are subject to changes in value due to changes in the market conditions of the real estate market that are potentially greater than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments across a wider range of industries and/or sectors. Given that an Advisory Client will participate in a limited number of investments, the aggregate return of such Advisory Client may be substantially adversely affected by the unfavorable performance of even a single investment.

### *Leverage Risk*

While Advisory Clients generally only borrow on a short-term basis (if at all) to bridge capital calls from investors, Underlying Funds, and the entities in which Advisory Clients and Underlying Funds invest, may utilize leverage in connection with implementing their respective investment strategies. Although leverage will increase investment returns if an Underlying Fund earns a greater return on the investments purchased with borrowed funds than it pays for the use of those funds, the use of leverage will decrease the returns of an Underlying Fund if it fails to earn as much on investments purchased with borrowed funds as it pays for the use of those funds. An Underlying Fund may need to liquidate certain positions when it may not be advantageous to do so to satisfy its borrowing obligations.

The use of leverage will magnify the volatility of changes in the value of portfolio investments. Any gain in the value of assets in excess of the cost of the amount borrowed to acquire such

assets would cause the borrower's net asset value to increase more than if the assets had been bought without utilizing leverage. Conversely, any decline in the value of its assets to below the cost of the borrowing utilized to fund their purchase would cause the net asset value to decline more than would be the case if debt had not been used to purchase such assets. While the use of leverage may increase a borrower's returns, it will also increase its exposure to risk.

### *Market Risk*

The Adviser invests in developed and emerging markets so its investments are affected by macroeconomic and geopolitical developments, such as changes in interest rates, exchange rates, availability of credit, inflation rates, and economic uncertainty, as well as changes in government policies and regulations. These factors may affect the level and volatility of prices and liquidity of the securities and other assets held by Advisory Clients and the Underlying Funds. Unexpected volatility or liquidity could impair an Advisory Client's or an Underlying Fund's profitability or result in losses.

### *Currency Risk*

An Advisory Client's investments, and the income received by an Advisory Client with respect to such investments, may be denominated in a currency other than the Advisory Client's base currency (EUR, USD, etc.). The Advisory Client's books, however, will be maintained, and contributions to and distributions from the Advisory Client will generally be made, in the base currency. Accordingly, changes in currency exchange rates, costs of conversion and exchange control regulations can adversely affect the base currency value of the Advisory Client's investments. Currency exchange rates may fluctuate significantly over short periods of time and can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments in one or more jurisdictions. In addition, certain countries in which the Adviser invests may have implemented or may implement strict controls on foreign exchange which may result in artificially pegged exchange rates that distorts the results of returns on investments in such countries. An Advisory Client may incur costs or experience substantial delays when, or be prohibited from, converting one currency into another.

### *Liquidity Risk*

Private real estate investments are generally illiquid. Investments in Underlying Funds or underlying real estate investments may be illiquid and require a long-term commitment of capital with no certainty of return. Interests in Underlying Funds held by an Advisory Client may be subject to legal and other restrictions on resale or otherwise be less liquid than other types of securities, such as publicly traded securities. These investments may be difficult to dispose of and an Advisory Client may realize a substantial loss on the sale of an illiquid investment.

Additionally, the interests in Funds have not been (and are not expected to be) registered under the Securities Act, or applicable securities laws of any U.S. state or the securities laws of

any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and any other applicable securities laws or an exemption from such registration is available. There is no public market for the interests in such Funds and one is not expected to develop. An investor in an Advisory Client will not be permitted to directly or indirectly assign, sell, pledge, exchange or transfer any of its interests or any of its rights or obligations with respect to its interests without the prior written consent of the general partner (or other similar managing fiduciary) of such applicable investment vehicle, which consent may be given or withheld in accordance with the governing documents of such applicable investment vehicle.

#### *Layered Expenses*

Because the Adviser's strategy involves investing in Underlying Funds, Advisory Clients will bear expenses and pay management fees and performance-based compensation at the Underlying Fund level and generally with respect to the Adviser (or its affiliates) as well. As a result, the aggregate amount of fees and expenses borne by an investor in an Advisory Client will be higher than if the investor had invested directly in an Underlying Fund.

Furthermore, the determination of whether the general partner of an Underlying Fund is entitled to carried interest distributions is made on a fund-by-fund basis and not in the aggregate. Therefore, carried interest in respect of one Underlying Fund is calculated and distributed without regard to the fees or performance (including negative performance) of any other Underlying Fund in which an Advisory Client has an interest. Therefore, it is possible that an Advisory Client, as a limited partner of Underlying Funds, would be required to bear carried interest in respect of one or more Underlying Funds even if the performance of an Advisory Client's investments in Underlying Funds in the aggregate (and therefore the performance of an Advisory Client) is negative.

#### *Minority Investor Risk*

An Underlying Fund's or an Advisory Client's minority direct or indirect investments in portfolio investments will subject the Underlying Fund or Advisory Client (as applicable) to actions taken by the holders of a majority-in-interest in such portfolio investments that may not be aligned with the Advisory Client's goals. An Underlying Fund or an Advisory Client may make minority equity investments in portfolio investments where the Underlying Fund or the Advisory Client likely will not be able to control or influence such entities or properties. In such cases, the Underlying Fund or Advisory Client will be reliant on the existing management of such portfolio investments, which may include representatives of other investors with whom the Underlying Fund or Advisory Client is not affiliated and whose interests may at times conflict with the Advisory Client's interests. The Underlying Fund and/or Advisory Client could therefore be adversely affected by actions taken by management or holders of a majority-in-interest in the portfolio investments in which they invest.

### *Legal, Tax and Regulatory Risks*

Legal, tax and regulatory changes could occur during the term of an Advisory Client that may adversely affect such Advisory Client. There is a material risk that regulatory agencies in the United States, Europe, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private real estate investment industry, or other changes that could adversely affect private real estate investment firms and the funds they sponsor, including an Advisory Client. In addition, and in particular in light of the changing global regulatory climate, Advisory Clients may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market to potential investors, which may generally limit an Advisory Client's ability to raise capital and/or increase the costs and expenses borne by the investors in such Advisory Clients.

### *Alternative Investment Fund Managers Directive*

The European Union Alternative Investment Fund Managers Directive (the "Directive"), as transposed into national law within the member states of the European Economic Area (the "EEA"), imposes requirements on EEA alternative investment fund managers managing or marketing alternative investment funds ("AIFs") and non-EEA alternative investment fund managers ("AIFMs") which market AIFs to professional investors within the EEA. The Adviser may act as a non-EEA AIFM with respect to certain Metropolitan AIFs (*i.e.*, Funds) and may therefore be in scope of certain of the Directive's requirements. The minimum requirements under the Directive for marketing an AIF under national private placement include transparency, disclosure and reporting requirements to both the investors of the Advisory Clients and regulators in the EEA. In parallel, certain member states of the EEA apply more stringent measures to marketing by non-EU AIFMs, such as requiring a depositary; while other member states have chosen not to allow non-EEA AIFMs to market AIFs in their territory at all. The Directive could adversely impact Advisory Clients by, among other things: (i) limiting an Advisory Client's ability to seek investors in the EEA; (ii) limiting an Advisory Client's investment opportunities and Metropolitan's operating flexibility both internally and with respect to investments made by the Advisory Client; (iii) exposing an Advisory Client and/or its manager to conflicting regulatory requirements in the United States and EEA; and (iv) adversely affecting an Advisory Client's ability to carry out its investment approach and achieve its investment objectives and may materially increase the costs of doing business in the EEA.

Many Underlying Funds and their general partners will be subject to the Directive requirements as an AIF and AIFM, respectively. In addition to the risks directly applicable to the Adviser and its Advisory Clients discussed above, Underlying Funds and their general partners may also be subject to other various compliance obligations in connection with the Directive. These and other Directive obligations can have an adverse effect on Underlying Funds and their general partners by, among other things, increasing their regulatory burden and costs of raising money and doing business in EEA jurisdictions.

### *Foreign Account Tax Compliance Act*

The Foreign Account Tax Compliance Act ("FATCA") requires all entities in a broadly defined class of foreign financial institutions ("FFIs") to comply with a complicated and expansive reporting regime or be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2019, a 30% U.S. withholding tax on gross proceeds from the sale of certain U.S. stocks and securities). Non-U.S. entities which are not FFIs also must either certify they have no substantial U.S. beneficial ownership or report certain information with respect to their substantial U.S. beneficial ownership or be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2019, a 30% U.S. withholding tax on gross proceeds from the sale of certain U.S. stocks and securities). In general, these requirements apply to non-U.S. investment funds, such as any non-U.S. investment vehicle managed by the Adviser or one of its affiliates. Among other things, FATCA compliance requires FFIs to obtain and review appropriate due diligence information with respect to certain existing and prospective investors. In addition, the reporting obligations imposed under FATCA require FFIs to enter into agreements with the U.S. Internal Revenue Service (the "IRS") to obtain and disclose information about certain investors to the IRS or, if subject to an Intergovernmental Agreement, register with the IRS. Failure to comply with the preceding requirements could expose Metropolitan and its investors to a 30% U.S. withholding tax, which may discourage certain investors from investing in U.S. investment funds. Prospective investors in any Metropolitan-sponsored investment vehicle should consult their own tax advisors regarding all aspects of FATCA as it affects their particular circumstances.

In addition, the OECD has developed Common Reporting Standard ("CRS") rules for the automatic exchange of FATCA-like financial account information amongst OECD member states. Like FATCA, CRS will impose certain due diligence, documentation and reporting requirements on various Metropolitan entities. While CRS does not contain a potential withholding requirement, non-compliance could subject Metropolitan to certain reputational harm.

### *Risks Relating to Taxation in Other Jurisdictions*

If an Advisory Client makes investments in a jurisdiction outside the United States, such Advisory Client or its investors (as applicable) may be subject to income or other tax in that jurisdiction. Additionally, withholding tax or branch tax may be imposed on earnings from investments in such jurisdictions. In addition, local tax incurred in non-U.S. jurisdictions by an Advisory Client or vehicles through which it invests may not be creditable to or deductible by investors. Income or gains of an Advisory Client may be subject to withholding, income, net wealth or other tax in the jurisdictions where its investments are located.

### *Geographic Concentration Risks*

Certain Advisory Clients require that the Adviser focus their investments in a particular geographic region and therefore will be particularly vulnerable to events affecting investments in such region. The economy of a particular country in which a geographically-focused fund may invest is influenced by economic and market considerations in other countries in the relevant

region, and sometimes by events in unrelated regions. Investors' reactions to events in one country can have adverse effects on the securities of companies and the value of property and related assets in other countries in which a geographically-focused fund may invest. The performance of a geographically focused Advisory Client may be worse than the performance of other Advisory Clients that invest more broadly geographically.

#### *Valuation Risks*

There is no established market for the interests in the Underlying Funds held by Advisory Clients. Additionally, the Co-Investments held by Advisory Clients are typically also privately held securities for which no established market exists. Generally, the Adviser relies on the valuation provided by each Underlying Fund's general partner with respect to an Advisory Client's interest in the related Underlying Fund or co-investment but in certain cases (e.g., where a general partner of an Underlying Fund does not report valuations consistent with International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles), the Adviser may conduct additional analysis to determine the valuation of an Advisory Client's interest. As a result, the Adviser's valuation may differ from the valuation reported by such general partner. Further, the net asset value of an Underlying Fund or specific asset as of a particular date may be materially greater than or less than its net asset value that would be determined if such Underlying Fund or asset were to be actually liquidated as of such date.

#### *Risks Relating to Disposition of Investments*

In connection with the disposition of an investment in real estate assets, an Advisory Client or an Underlying Fund may be required to make representations and warranties about the condition of such investment typical of those made in connection with the sale of real estate assets generally. The Advisory Client or Underlying Fund may also be required to indemnify the purchasers of such real estate assets to the extent that any such representations or warranties turn out to be inaccurate or misleading. Exit strategies that initially appear to be viable may be precluded over time due to economic, legal, political or other factors. As a result, the sale of an Advisory Client's or Underlying Fund's investments may be at substantial discounts and/or otherwise disadvantageous terms.

#### *Vintage Year Concentration Risks*

Due to their long-term nature, private real estate funds are exposed to market cycles that can result in final returns that vary substantially over vintage years. Additionally, fundraising by Underlying Fund sponsors and volume of investment activity frequently follow counter-cyclical patterns, which can impede proper diversification over time. There can be no assurance that the Adviser can adequately diversify a private real estate portfolio over vintage years and, as a result, an Advisory Client's investment portfolio may become overly concentrated in one or more vintage years, which may adversely affect performance.

### *Risks Related to Hedging*

While the Adviser does not typically engage in any hedging transactions on behalf of its Advisory Clients, it may elect to do so from time to time. Additionally, an Underlying Fund may engage in hedging transactions. There can be no assurance that a particular hedge will be appropriate or effective. Further, while both an Advisory Client and/or an Underlying Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Advisory Client's investment portfolios than if the Advisory Client or such Underlying Fund did not engage in any such hedging transactions.

### *Access to Information Risks*

Due in part to the fact that potential investors in an Advisory Client may ask different questions and request different information, the Adviser or its affiliates may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners in the Advisory Client. Investors' rights to information regarding an Advisory Client will be specified, and strictly limited, in such Advisory Client's governing documents. Additionally, as an investor in Underlying Funds and Co-Investments, Metropolitan may be provided information by an Underlying Fund manager that is different than information provided to other investors, and the Adviser's right to information in respect of an Underlying Fund or Co-Investment will typically be specified and strictly limited in the applicable agreements (including side letters) of such investment.

### *Holding Period Risk*

An Advisory Client may make investments which cannot be advantageously disposed of prior to the date such Advisory Client will be dissolved, either by expiration of its term or otherwise. In addition, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to investors will occur.

### *Risk of Limited Number of Investments*

An Advisory Client typically will participate in a limited number of investments and, as a consequence, the aggregate return of such Advisory Client can be substantially adversely affected by the unfavorable performance of even a single investment. In addition, other than as set forth in the applicable Advisory Client's governing documents, investors have no assurance as to the degree of diversification of an Advisory Client's investments, either by geographic region, industry or transaction type.

### *Indemnification*

Each Advisory Client and Underlying Fund generally will be required to indemnify its general partner (or similar managing fiduciary), its investment adviser, certain service providers and their respective affiliates and each of their respective members, officers, directors, employees,

consultants, agents, advisors, senior advisors, stockholders, shareholders, partners and other persons who serve at the request of its general partner on behalf of such investment vehicle for liabilities incurred in connection with the affairs of such Fund or Underlying Fund, as applicable. The Adviser, as well as sponsors of Underlying Funds, typically engage placement agents and other similar finders and consultants in connection with the offering of interests in an Advisory Client or Underlying Fund (as applicable) and, to the extent permitted by such Advisory Client's or Underlying Fund's governing agreements, causes such Advisory Client or Underlying Funds to indemnify such agents, finder or consultants. Where applicable, members of an limited partner advisory committee of a Fund or Underlying Fund will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the Fund's or Underlying Fund's governing documents. Such indemnification obligations may be material and have an adverse effect on the returns to the investors in an Advisory Client. In certain circumstances, the indemnification obligation of an Advisory Client may be payable from its assets, including the unpaid capital commitments of the investors therein. If the assets of such Advisory Client are insufficient, the applicable general partner may recall distributions previously made to the applicable investors (subject to certain limitations set forth in the governing agreement of such Advisory Client). Furthermore, as a result of the provisions contained in the governing agreement of an Advisory Client or Underlying Fund, an Advisory Client or investors in such Fund or Underlying Fund may in certain cases have a more limited right of action against the general partner than it would in the absence of such limitations.

It should be noted that an Advisory Client may, at its expense, purchase insurance for such Advisory Client, its general partner, Metropolitan and their respective employees, agents and representatives. In addition, because an Advisory Client may advance the costs and expenses of an indemnitee pending outcome of the particular matter (including determination as to whether or not the person was entitled to indemnification or engaged in conduct that negated such person's entitlement to indemnification), there may be periods where an Advisory Client is advancing expenses to an individual or entity with whom such Advisory Client is not aligned or is otherwise an adverse party in a dispute. Moreover, in its capacity as general partner of an Advisory Client, such general partner will, notwithstanding any actual or perceived conflict of interest, be the beneficiary of any decision by it to provide indemnification (including advancement of expenses). This may be the case even with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such person from indemnification or exculpation so long as such general partner (and/or its legal counsel) has determined that such disqualifying conduct did not occur.

### *Presentation of Performance*

Generally, net performance of a Fund is calculated on an aggregate basis after taking into account all fees and expenses actually borne by investors in the Fund as a group, but does not take into account any taxes borne or deemed to be borne by investors (such as, for example, taxes resulting from the investors' domicile or taxes paid or payable by vehicles designed to address certain investors' tax, regulatory or other similar issues). With respect to any particular Fund, differences in timing of an investor's commitment to the Fund and the economic and

other terms applicable to certain investors therein may increase or decrease the net performance information realized by such investors and, accordingly, the actual net performance information of a particular investor may differ from the net performance information disclosed to such investors.

*Cyber Security Breaches, Identity Theft, Privacy Breaches and Other Threats*

The Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cyber security threats to and attacks on our information technology infrastructure), infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's and its Advisory Clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors) in an Advisory Client. Such a failure or unauthorized disclosure of data could harm the Adviser's reputation, subject the Adviser and its Advisory Clients to legal claims, increased costs, financial losses, data privacy breaches, regulatory intervention and otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

---

**Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the adviser or the integrity of the adviser's management. The Adviser does not have any disciplinary information applicable to this Item 9 to disclose.

---

## Item 10. Other Financial Industry Activities and Affiliations

### Affiliated Advisers and Other Affiliations

#### *Affiliated Sub-Advisers*

The Adviser has certain personnel located in Europe and Asia. The Adviser's Europe-based personnel are employees of CECP Advisors LLP ("CECP"). Its Asia-based personnel are employees of Carlyle Asia Investment Advisors Limited ("CAIA"). Each of CECP and CAIA is part of Carlyle and is under common control with the Adviser. The Adviser has entered into a sub-advisory agreement with CIM through which the Adviser's personnel who are employed by CAIA and CECP provide sub- advisory services to the Adviser. These personnel identify, evaluate and monitor investment opportunities and investments in the non-U.S. jurisdictions in which they are located solely to advise the Adviser on investment opportunities in respect of an Advisory Client. Such personnel are also subject to the Adviser's supervision and oversight, including the Adviser's compliance policies and procedures.

#### *The Carlyle Group*

The Adviser is affiliated with CIM, a Carlyle affiliate and separately-registered investment adviser under the Advisers Act. As discussed in Item 4, apart from its relationship with Carlyle's Solutions business, the Adviser generally has an existence independent of Carlyle and primarily carries out its investment operations independently of Carlyle. .

The Adviser is also affiliated with AlpInvest and DGAM, each of which is wholly owned by Carlyle. Like the Adviser, both AlpInvest and DGAM are part of the Investment Solutions business segment. Each of AlpInvest and DGAM is separately registered under the Advisers Act as an investment adviser. In February 2016, Carlyle announced that as part of its efforts to focus on AlpInvest and Metropolitan within the Investment Solutions segment Carlyle is winding down DGAM.

TCG Securities, L.L.C. ("TCG Securities"), an affiliate of CIM and the Adviser, is licensed with the SEC as a broker-dealer with respect to the offer and sale of interests in private investment vehicles (which includes one or more Advisory Clients) and is a member of the Financial Industry Regulatory Authority. The Adviser has entered into a non-exclusive placement agent agreement with TCG Securities to solicit prospective investors for Advisory Clients. The Adviser has also entered into complementary arrangements with certain of CIM's non-U.S. affiliates to provide marketing services in certain non-U.S. jurisdictions. When registered representatives of TCG Securities provide services to the Adviser thereunder, such persons will be subject to the policies and procedures of TCG Securities when engaged in broker-dealer related activities in addition to applicable policies and procedures of CIM. TCG Securities does not intend to act as

a broker-dealer or agent for transactions made on behalf of affiliated, private investment vehicles and does not intend to hold funds or securities for, or owe money or securities to, its clients generally. Additionally, Carlyle holds, and may acquire, ownership stakes in one or more other broker-dealers. Although deemed to be highly unlikely, the Adviser may execute trades through such Carlyle-affiliated broker-dealers. In such a case, the Adviser will execute trades in all cases consistent with its duty to seek best execution. See “Item 12 – Brokerage Practices” below for additional information.

Carlyle is a global alternative asset management firm with business operations across several business segments. Although the Adviser is a separately-registered investment adviser and primarily carries out its investment operations independently of Carlyle (including CIM, AlpInvest, DGAM and other Carlyle-affiliated investment advisers), the Adviser’s status as part of the larger Carlyle organization raises certain actual and potential conflicts of interest, as discussed below. Further, the Adviser shares or leverages certain operational functions and resources at Carlyle, such as corporate accounting, information technology, and compliance.

Because Carlyle has many different asset management and advisory businesses and operates on a global basis, the Adviser may be subject to greater regulatory oversight than it would be absent its relationship with Carlyle. The Adviser and its Advisory Clients also may be subject to certain legal and other restrictions on their investment activities as a consequence of the Carlyle relationship including, for example, limitations imposed by non-U.S. regulatory authorities, or restrictions on the purchase or sale of, or exercise of voting or other rights with respect to, the debt instruments of an issuer when a Carlyle advisory client holds the equity of the issuer and the issuer is an affiliate of Carlyle.

Carlyle and its directors, members, managers, partners, shareholders, officers, employees, agents and affiliates may conduct any other business, including any business within the securities industry, whether or not such business competes with the Adviser. Without limiting the generality of the foregoing, Carlyle and its affiliated companies and persons act and will continue to act as general partner, investment adviser or investment manager for others, manage funds, separate accounts or capital for others, have, make and maintain investments in their own name or through other entities and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms.

Please see “Conflicts of Interest — Other Potential Conflicts” for more information on potential material conflicts of interest with Carlyle.

For the purposes of this brochure, references to the “Adviser” include its participating affiliates specified above, but do not include references to AlpInvest, DGAM, CIM, TCG Securities or Carlyle. For additional information regarding any of CIM, AlpInvest or DGAM, including persons related to such advisers that may act as investment advisers or sub-advisers or commodity pool operators please see Part 2 of Form ADV of such particular investment adviser, available at: <http://www.adviserinfo.sec.gov/>.

### Other Related Persons

Related persons of the Adviser act as general partner (or similar managing fiduciary) of Funds or other investment vehicles in which Advisory Clients participate and, to the extent not otherwise exempt from registration as an adviser with the SEC, conduct their activities in accordance with the Advisers Act and the rules thereunder and in reliance on the Adviser's registration under the Advisers Act as associated persons of the Adviser.

---

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

The Adviser is subject to Carlyle's Code of Conduct (the "Code"), which sets forth standards of ethical conduct for employees and is designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. Among other things, the Code prescribes standards for dealing with clients ethically, addresses conflicts of interest issues, and supplements personal trading and operating procedures. The Code provides guidance in specific areas, including but not limited to, confidentiality of information, personal investments, gifts and entertainment and personal political activities. The Code is available to clients, investors, prospective clients or prospective investors by writing to Metropolitan Real Estate Equity Management, 299 Park Avenue, 35th Floor, New York, New York 10171, Attn: Investor Relations.

The Adviser has also adopted written policies and procedures to account for the pay-to-play regulations promulgated by the SEC, and to comply with the New York Attorney General's Public Pension Fund Reform Code of Conduct, which governs the Adviser's interactions with U.S. public pension funds. A copy of these policies and procedures will also be provided to current and prospective investors by writing to the address noted above.

The Adviser may take disciplinary measures against any of the Adviser's personnel who violate the Code or the Pay-to-Play Policy, including, without limitation, imposing penalties or fines, reducing compensation, demotion, requiring unwinding of any applicable trade, requiring disgorgement of trading gains, suspending or terminating employment, or any combination of the foregoing. The Adviser's personnel are also required to promptly report any violation of the Code or Pay-to-Play Policy of which they become aware.

**Participation or Interest in Client Transactions**

The Adviser, its affiliates and equity owners (including Carlyle), and certain of their respective professionals invest in or alongside certain Advisory Clients. Management Fees and Carried Interest on such investments may be substantially reduced or, as is more typical, waived altogether for these investors. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

**Conflicts of Interest**

The Adviser and certain of its related entities engage in a broad range of activities, including investment activities for their own account, and providing transaction-related, investment advisory, management and other services to Advisory Clients. In the ordinary course of conducting its activities, the interests of an Advisory Client may conflict with the interests of the

Adviser or other Advisory Clients. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

### *Resolution of Conflicts*

In the case of all real or perceived conflicts of interest, the Adviser's determination as to whether an actual conflict exists, which factors are relevant, and the resolution of any such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Advisory Client with respect to the immediate issue and/or with respect to the Advisory Client's longer-term courses of dealing as well as the effect of such conflict or such resolution on the Adviser and its affiliates. Investors should note that conflicts will not always be resolved in their favor and in fact may be resolved in a way that is adverse to them.

### *Conflicts*

The material conflicts of interest encountered by the Adviser with respect to its Advisory Clients include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by the Adviser. Other material conflicts may be disclosed throughout this brochure and this brochure should be read in its entirety for other conflicts.

### *Allocations of Investment Opportunities and Expenses*

The Adviser seeks to make all allocations of investment opportunities in a fair and equitable manner, and will not generally favor or disfavor, consistently or consciously, any Advisory Client in relation to any other Advisory Clients. To this end, the allocation of investment opportunities and certain expenses may not be based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Advisory Client or (ii) the profitability of any Advisory Client to the Adviser.

The Adviser is often presented with investment opportunities that fall within the investment objectives and strategies of multiple Advisory Clients. In such circumstances, except as otherwise provided in the agreements under which an Advisory Client was established (such as a Fund's limited partnership agreement or private placement memorandum, the investment advisory agreement with an Advisory Client, and/or side letters with Fund investors), the Adviser will allocate such opportunities among such Advisory Clients (including, without limitation, an allocation of 100% of such an opportunity to a single Advisory Client) on a basis that the Adviser determines in good faith to be fair and reasonable in accordance with its written allocation policies and procedures in effect from time to time.

Generally, each eligible Advisory Client is allocated the full amount determined by the Adviser to be appropriate for such Advisory Client in a manner consistent with the investment strategy, guidelines and restrictions (including any allocation requirements) set forth in the relevant organizational and advisory agreements, offering documents and side letters of such Advisory Client. In those instances where a particular investment opportunity is capacity constrained

(i.e., where one or more Advisory Clients is unable to be allocated the full amount determined by the Adviser to be appropriate for such Advisory Client), the Adviser will in general allocate such investment opportunity among eligible Advisory Clients such that each Advisory Client receives its pro rata share of such investment opportunity based each such Advisory Client's available aggregate capital to commit, taking into account both the amount of available capital and the time period over which the capital is to be committed (and for Funds that are raising capital, may be calculated with reference to the expected aggregate capital of such Fund at its final closing).

In some cases, the Adviser may conclude that a pro rata allocation would be undesirable for an Advisory Client and therefore, allocations will also take into account other factors deemed to be relevant, including but not limited to, (i) each Advisory Client's portfolio composition, including geographic, manager and property type concentration and deal size, minimum / maximum deal size requirements, (ii) each Advisory Client's risk/return profile, (iii) each Advisory Client's liquidity and reserves, (iv) the nature of any requirements or constraints placed upon the investment opportunity (e.g., requirements or conditions imposed by the manager of the opportunity), (v) investment structures and limitations, including currency and hedging considerations, (vi) whether the investment opportunity arises from an existing investment or relationship of such Advisory Client, (vii) legal, tax or regulatory considerations with respect to such investment or Advisory Client (or investor(s) in such Advisory Client), (viii) potential conflicts of interests that may arise by having more than one Advisory Client invest in the same opportunity, (ix) prior allocations to such Advisory Client and expected availability of future appropriate opportunities, (x) the expected hold period of the investment and the duration of the Advisory Client's term and (xi) any other relevant limitations imposed by, or conditions set forth in, the applicable agreements with such Advisory Client (or its investors). Therefore, investment opportunities may be available for the participation of several Advisory Clients at any given time, which may result in Advisory Clients not participating in one or more investment opportunities or participating in an investment opportunity to a lesser or greater extent than would otherwise be the case.

In addition, certain affiliates and personnel of the Adviser and Carlyle will invest directly or indirectly in or with Advisory Clients and will therefore participate in investments made by such Advisory Clients. Such interests will vary Advisory Client by Advisory Client. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to an Advisory Client.

From time to time, an investment opportunity may be of such significant size (e.g., a large secondaries transaction) that the Adviser determines that its eligible Advisory Clients for whom it has discretionary investment authority should not or cannot accept the full amount available. In such cases, the Adviser may have the ability to influence or control the allocation of such excess or co-investment opportunity. Typically, however, the ultimate determination of who gets access to any such excess or co-investment opportunity is in the sole control of the general partner of an Underlying Fund, and in this case the Adviser's role is to negotiate the best terms

for its participating Advisory Clients and to provide a suitable list of potential co-investors to the Underlying Fund's general partner.

Subject to any restrictions or requirements contained in any agreements with and/or organizational documents of an Advisory Client, or any side letter negotiated with respect to a Fund investor, the Adviser may, in its sole discretion, offer certain Advisory Clients (and Advisory Client investors), prospective Advisory Clients (and prospective Fund investors) and/or other third parties the ability to participate in an excess or co-investment opportunity or include them on its list of potential co-investors to the general partner of the Underlying Fund or lead sponsor involved in the transaction for its review and consideration. The Adviser will consider a number of factors in determining which parties to approach for any such excess or co-investment opportunity, including (without limitation) an investor's aggregate commitment size to Funds and/or Managed Accounts, any interest expressed by such party to participate in these types of investment opportunities, the financial resources and capabilities of such party, the sophistication of such party and whether such party is in a position to make an investment decision quickly and confidentiality, legal and/or regulatory issues. Absent any written contractual arrangements, the Adviser does not purport to have any duty or other fiduciary obligation to give any Advisory Client or Fund investor access to any excess or co-investment opportunity.

#### *Costs and Expenses*

Advisory Clients may only bear costs and expenses to the extent provided in the agreements under which an Advisory Client was established (such as a Fund's limited partnership agreement or private placement memorandum, the investment advisory agreement with an Advisory Client, and/or side letters with Fund investors). Typically, the investment advisory agreement and/or Fund partnership agreement relating to such Advisory Client will stipulate what costs and expenses can be borne by the Advisory Client. Generally, all investment-related costs (including broken deal costs) will be allocated across relevant Advisory Clients pro rata based on their relative participation interest (or anticipated relative participation) in the subject investment. The Adviser may allocate other types of shared Advisory Client expenses on another basis (e.g., relative net asset value) as determined to be fair and reasonable in the particular circumstance and in accordance with the Adviser's policies and procedures.

#### *Cross-Transactions*

In certain cases, the Adviser may cause an Advisory Client to purchase investments from another Advisory Client, or it may cause an Advisory Client to sell investments to another Advisory Client (e.g., to rebalance an Advisory Client's portfolio, to take into account an Advisory Client's cash flows or to comply with applicable investment guidelines and restrictions of an Advisory Client). Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, an Advisory Client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Advisory Client by selling underperforming assets to another Advisory Client in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its

affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in an Advisory Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates may receive Management Fees or other fees in connection with their management of the relevant Advisory Clients involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Advisory Clients.

To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the investment restrictions and requirements set forth in the offering or organizational documents related to the relevant Advisory Clients, which may in certain circumstances include obtaining the consent of the Advisory Client or investors in a Fund. To the extent such matters are not addressed in such materials, the Adviser will be responsible for confirming that it (i) considers its respective duties to each Advisory Client, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party and (iii) obtains any required approvals of or consents to the transaction's terms and conditions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction and the Adviser will not effect any such transaction for any Advisory Client where the Adviser (together with its employees and affiliates) may be deemed to own more than 25% of the Advisory Client, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

#### *Principal Transactions*

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the investment adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction.

The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Advisory Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

#### *Management of Funds and other Advisory Clients*

The Adviser provides services to a number of Advisory Clients that may have investment objectives similar to each other. The Adviser may in the future obtain additional advisory clients, including establishing one or more additional Advisory Clients, with investment objectives substantially similar to, or different from, those of the Adviser's current Advisory Clients. Allocation of available investment opportunities between existing and future advisory

clients could give rise to conflicts of interest. In addition, it is expected that the Adviser's personnel responsible for advising a particular Advisory Client will have responsibilities with respect to multiple Advisory Clients. The Adviser expects that its personnel will devote as much time as they believe is necessary to assist an Advisory Client in achieving its investment objective; however, none of such individuals will devote substantially all of his or her working time to the affairs of any particular Advisory Client. Conflicts of interest may arise in allocating time, services or functions of such personnel.

#### *Conflicts Relating to Affiliates of the Adviser*

Certain affiliates and personnel of the Adviser may invest their personal funds in Underlying Funds that are also recommended by the Adviser to its Advisory Clients. The Adviser has established procedures intended to limit conflicts of interest in cases where the Adviser, its related persons or any of their employees, intends to invest in securities recommended by the Adviser to its clients (*i.e.*, intends to invest in Underlying Funds that are also recommended by the Adviser to the Advisory Clients).

The Adviser generally may, in its discretion, recommend to an Advisory Client (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a related person of the Adviser or (ii) an entity with which the Adviser or its affiliates or their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Because certain expenses are paid for by an Advisory Client or, if incurred by the Adviser, are reimbursed by an Advisory Client, the Adviser may have an incentive not to seek out the lowest cost options when incurring (or causing an Advisory Client to incur) such expenses. The Adviser will seek to act in the best interests of the Advisory Clients when incurring expenses.

#### *Fee Structure*

As discussed above in Item 6, the Adviser (or, in some cases, the general partner or special limited partner of a Fund, which is an affiliate of the Adviser) is entitled to Carried Interest under the terms of the investment advisory agreement with, or the limited partnership agreement (or similar organizational documents) of, an Advisory Client, which is based on the performance of the Advisory Client. The existence of the Adviser's, general partner's or special limited partner's performance-based allocation may create an incentive for the Adviser (or a general partner) to cause an Advisory Client to make more speculative investments than it would otherwise make in the absence of performance-based allocations.

There is typically a fixed investment period after which capital from investors in a Fund or Managed Account may only be drawn down in limited circumstances and because management fees are, at certain times during the life of a Fund or Managed Account (as the case may be),

based upon the net invested capital (or similar basis) of such Fund or Managed Account, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

#### *Diverse Membership; Side Letter Rights*

Investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and entities organized in jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in an Advisory Client. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by an Advisory Client, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for an Advisory Client, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Advisory Client and the investors as a whole, not the investment, tax or other objectives of any investor individually.

The general partner (or similar managing fiduciary) of a Fund often will enter into side letters or other similar agreements with investors in connection with their admission to such Fund without the approval of any other investor. The side letters or other similar agreements have the effect of establishing rights under, altering or supplementing the terms of the governing documents of such Fund with respect to one or more such investors in a manner more favorable to such investors than those applicable to other investors. Such rights or terms in any such side letter may include, without limitation, (i) fee arrangements with respect to such investors; (ii) excuse rights applicable to particular investments; (iii) reporting obligations of the applicable general partner (or similar managing fiduciary); (iv) waiver of certain confidentiality obligations; (v) consent of the applicable general partner (or similar managing fiduciary) to certain transfers by such investor; (vi) special rights with respect to co-investment; or (vii) rights or terms necessary in light of particular legal, public policy or regulatory characteristics of an investor.

Except as otherwise agreed with an investor, the general partner (or similar managing fiduciary) of a Fund does not have an obligation to give any investor in such Fund notice of any side letters entered into by such general partner with any other investor in such Fund. However, subject to confidentiality obligations, the general partner (or similar managing fiduciary) will, upon request, make available copies of all side letters or a compendium containing the provisions of any such side letters, which may be redacted of any identifying information. Such copies or compendium may be made available to an investor only after such investor has been admitted to such Fund. Any rights established under a side letter will generally inure solely to the benefit of the parties to such side letter and will not extend to other investors in a Fund.

Metropolitan and its affiliates and employees have made, and may in the future make, oral and written statements or expressions of intent or expectation to investors in a Fund or Managed Account, or have acknowledged (and may in the future acknowledge) statements by such persons ("Outside Statements") regarding an Advisory Client or Metropolitan's activities pertaining thereto. These may include, for example, the anticipated or expected allocation and terms of co-investment opportunities, the anticipated or expected allocation of investment opportunities to an Advisory Client generally and other topics often addressed in legally binding side letters. Although such Outside Statements are not legally binding, such Outside Statements may influence allocation and other decisions of Metropolitan and its affiliates and employees with respect to the operations and investment activities of an Advisory Client and may influence a prospective investor's decision as to whether to invest in an Advisory Client. By virtue of not being legally binding obligations, such Outside Statements will not be considered side letters for purposes of any most-favored-nation's provisions in actual side letters with investors in a Fund or Managed Account.

#### *Possession of Material, Non-Public Information and other Trading Restrictions*

The Adviser espouses a management philosophy of collaboration and information sharing among investment professionals to create a unified global network. The Adviser, its affiliates, and their professionals may come into contact with material, non-public information in connection with their dealings with the Adviser, Carlyle, CIM, AlpInvest, DGAM or their affiliates. The Adviser has established policies and procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Under no circumstances may a professional trade in a security while in possession of material, non-public information about that security for his or her own account, the accounts of certain family members, the account of an Advisory Client or any other account over which such person has investment discretion. The Adviser is subject to various information barriers to segregate the flow of material, non-public information between the various Carlyle business segments, and specifically in the case of Investment Solutions, to segregate the flow of non-public, commercially sensitive information.

#### *Other Potential Conflicts*

The Adviser and its Advisory Clients will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent an Advisory Client may be investors in the Advisory Client, and from time to time also represent one or more Underlying Funds, underlying portfolio investments of or investors in an Advisory Client. In the event of a significant dispute or divergence of interest between Advisory Clients, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser may engage other common service providers for itself as well as one or more Advisory Clients. In such circumstances, there may be a conflict of interest between the Adviser and such Advisory Client in determining whether to engage such service providers,

including the possibility that the Adviser may favor the engagement or continued engagement of such service providers if it receives a benefit from them (such as lower fees) that it would not receive absent the engagement of such service provider by such Advisory Client.

The terms of a partnership agreement (or similar organizational documents) of an Advisory Client are often highly negotiated and customized for the Advisory Client or investors in a Fund. Accordingly, the terms of such agreements can vary significantly even though other or prior Advisory Clients may have substantially similar investment strategies. For example, an investor in an Advisory Client that commits significant capital may be offered preferential terms (including breaks on fees) compared to another investor in an Advisory Client that has committed a lesser amount. Such preferential terms are typically not offered to every investor in an Advisory Client.

The terms of a partnership agreement (or similar organizational documents) of a Fund or of an investment advisory agreement with an Advisory Client establish complex arrangements among the parties. Questions may arise from time to time under these agreements regarding the parties' rights and obligations in certain situations, many of which may not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and may permit more than one reasonable interpretation. At times there may not be a provision directly applicable to the situation. While the Adviser will construe the relevant agreements in good faith and in a manner consistent with the legal obligations of the Adviser, the interpretations adopted may not be, and need not be, the interpretations that are the most favorable to the Fund or an Advisory Client.

The partnership agreements (or similar organizational documents) of certain Advisory Clients may permit the Adviser, or its affiliates, to lend money to the applicable Advisory Client, which the Adviser generally limits to advancing amounts to pay for expenses, or to cause one Fund to make an inter-Fund loan to another parallel Fund. Such lending arrangements create conflicts of interest between the Adviser or its affiliate acting as lender and the Advisory Client acting as borrower, or between the Advisory Client acting as lender and the other Advisory Client acting as borrower.

The partnership agreements (or similar organizational documents) of certain Advisory Clients may permit the Adviser or a Fund's general partner to withhold information from the Advisory Client or certain investors in a Fund under certain circumstances. For instance, information may be withheld from limited partners of a Fund that are subject to Freedom of Information Act or similar requirements. The Adviser or a Fund's general partner may elect to withhold certain information from such Advisory Client or investors in a Fund for reasons relating to the Adviser's public reputation or overall business strategy, despite the potential benefits to such Advisory Client or investors in a Fund of receiving such information.

Carlyle maintains a one-way information barrier between Investment Solutions (which includes the Adviser), on the one hand, and the other business segments of Carlyle, on the other hand. The Investment Solutions information barrier restricts the flow of certain non-public,

commercially sensitive information from Investment Solutions to the other Carlyle business segments, other than for certain regulatory, reporting and similar purposes. The Investment Solutions information barrier also operates to maintain investment management independence between the Adviser, operating as a member of Investment Solutions, and the other business segments of Carlyle. Consistent with the investment management independence of the Adviser, investment collaboration between the Adviser's personnel and other Carlyle personnel is generally subject to restrictions. In addressing the misuse of material, non-public information, Carlyle and the Adviser maintain a shared restricted trading list for their personnel and advisory clients, except that the Carlyle Global Market Strategies segment maintains a separate restricted trading list for its advisory clients. In addition, as part of the Investment Solutions business segment, the Adviser is subject to other information barriers established by Carlyle, such as the information barrier between Carlyle's Global Market Strategies business segment, on the one hand, and Carlyle's Corporate Private Equity, Real Assets and Investment Solutions business segments, on the other hand.

Where permitted under the specific legal and/or organizational documents of an Advisory Client, such Advisory Client may invest in entities or assets in which other advisory clients of CIM or other Carlyle-affiliated investment advisers (*e.g.*, pooled investment vehicles and managed accounts) have or are concurrently making a separate investment and, likewise, advisory clients of CIM or other Carlyle-affiliated investment advisers may invest in entities or assets in which an Advisory Client has an existing investment or are concurrently making an investment in either the same or different tiers of a investment's capital structure. In such situations, such Advisory Client and other Carlyle entities may have conflicting interests (*e.g.*, over the terms of their respective investments). In distressed situations, these interests may be in conflict over such matters as whether to put an issuer into default, whether to grant covenants or waivers, or whether to pursue litigation. In a bankruptcy proceeding, an Advisory Client's interests may be subject to enhanced scrutiny, subordinated or otherwise adversely affected by virtue of the involvement and actions of an affiliate of Carlyle relating to the company involved in the bankruptcy proceeding.

From time to time, certain Advisory Clients are expected to provide capital to, or otherwise co-invest alongside, certain Underlying Funds or other accounts or investments managed or advised by third-party sponsors. The strategies of such sponsors have historically overlapped with the investment strategies of the advisory clients managed by other Carlyle-affiliates, such as CIM. It is therefore likely that the Adviser will create additional competition in the market or independently consider the same investment opportunities as such Carlyle advisory clients, and thereby, on any given occasion, compete directly or indirectly with Carlyle for the same or similar investment opportunities.

In addition, the Adviser may cause an Advisory Client to (or recommend that an Advisory Client) hold, if permitted under its investment restrictions, interests in one or more Carlyle funds or co-investment opportunities. Given the relationship between the Adviser and Carlyle, the Adviser may be incentivized to invest in (i) Carlyle-sponsored Underlying Funds or investments, as opposed to Underlying Funds or investments sponsored or managed by potential competitors

of Carlyle or (ii) certain Carlyle-sponsored funds or investments over other Carlyle-sponsored funds or investments, including where such funds or investments have differing levels of fees or have different relative capital needs. Any such investment by an Advisory Client is expected to be made on arm's-length terms (or otherwise consented to or approved by the relevant Fund investors), subject in any case to the Investment Solutions information barrier and the confidentiality restrictions arising from particular fund or vehicle agreements, as well as the Adviser's applicable fiduciary duties to the Advisory Client.

Further, transactions involving the purchase (or sale) of securities by an Advisory Client from (or to) an affiliate of Carlyle may constitute a cross-trade or a principal transaction in certain circumstances. Accordingly, prior to any potential cross-trade or principal transaction involving an Advisory Client, the Adviser will determine whether or not the trade would constitute a cross-trade or principal transaction, and if so, that all required notice and consent requirements have been satisfied.

---

**Item 12. Brokerage Practices**

As the Adviser's Advisory Clients primarily invest in private real estate funds and their real estate portfolio investments, the Adviser anticipates that any investment in publicly traded securities would be an extraordinarily rare occurrence. However, to meet its fiduciary duties to its Advisory Clients, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities, including seeking "best execution" for the transaction, taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

---

**Item 13. Review of Accounts**

The investment portfolios of Advisory Clients are generally private, illiquid and long-term in nature, and accordingly, the Advisor's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors its Advisory Clients' investments. The holdings in each Advisory Client portfolio are monitored by the Adviser's investment professionals. In addition, the activity of each Advisory Client and its Underlying Fund investments and direct investments is monitored and reviewed periodically during the life of each investment.

Significant market events affecting the prices of one or more securities in each Advisory Client's accounts or the real estate markets in which the Underlying Funds are invested may trigger reviews of Advisory Clients' accounts on other than a periodic basis.

Advisory Clients and investors in a Fund typically receive quarterly financial reports and audited annual reports. Any other reports to Advisory Clients or Fund investors are based on the terms of the applicable partnership agreement (or similar organizational documents) of the applicable Advisory Client.

---

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

The Adviser and its affiliates will from time to time enter into cash compensation arrangements with affiliated or unaffiliated placement agents or third parties for introducing investors to the Adviser and its Advisory Clients (*e.g.*, TCG Securities). To the extent applicable, all such agreements are, or with respect to future agreements will be, made in accordance with Rule 206(4)-3 under the Advisers Act. Any sales charge associated therewith will ultimately be borne by the Adviser or its affiliates, either directly or through an offset of the management fee payable by the relevant Advisory Client. In accordance with the Adviser's policies, no Advisory Client or Fund investor may bear any portion of any fee paid to any third-party solicitor with respect to such investment (whether in the form of higher management fees or other types of fees) without the consent of the approval of the Adviser's Chief Compliance Officer.

---

**Item 15. Custody**

The Adviser uses unaffiliated, qualified, third-party custodians to hold the cash and securities of Advisory Clients in a manner that it believes complies with current regulatory requirements, including SEC Staff guidance. For example, these qualified custodians maintain the client assets in a manner that segregates them from assets for other clients of the custodian.

Metropolitan will not have physical custody of any Advisory Client assets (other than certain privately offered securities to the extent permitted by the Advisers Act and SEC Staff guidance). Nevertheless, the Adviser will generally be deemed to have “custody” (for purposes of the Advisers Act) of the assets of the Funds and Managed Accounts structured as “funds-of-one” as a result of its position as an affiliate of the general partner of each such Fund and Managed Account. The Adviser relies on an exception available to “pooled investment vehicles” from the reporting and surprise audit obligations imposed by the SEC’s custody rule by causing financial statements of the applicable Advisory Client to be audited annually by a recognized independent auditor registered with and subject to regular inspection by the Public Company Accounting Oversight Board. The audited financial statements are distributed to the respective investors in an Advisory Client, typically within 180 days (or sooner if required) after the Advisory Client’s fiscal year end.

In addition, in connection with the final liquidation of an Advisory Client, the Adviser will obtain a final audit and distribute the audited financial statements to such Advisory Client’s investors promptly after completion of the audit.

---

**Item 16. Investment Discretion**

Typically, investment advice is provided directly to Advisory Clients and not individually to the investors in any Funds or Managed Accounts. Services are provided to Advisory Clients in accordance with the applicable investment advisory agreement and/or partnership agreement (or analogous organizational documents) for an Advisory Client. Investment restrictions for Advisory Clients are generally established in the applicable investment advisory agreement and/or partnership agreement (or analogous organizational documents). In the case of a Fund or Managed Account structured as a “fund-of-one,” an affiliate of the Adviser will typically act as the general partner of such Fund or Managed Account (as applicable) and accept discretionary investment authority for such Fund or Managed Account (as applicable). The Adviser, in turn, is retained as investment adviser in order to provide advice with respect to the Fund’s or Managed Account’s investments. Generally, this discretion is subject only to the investment guidelines set forth in the partnership agreement (or similar organizational documents) of the Fund or Managed Account (as applicable), which generally expressly provide that the general partner has the authority to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments.

Additionally, due to differing objectives, differing constraints, and/or differing investment opportunities available to discretionary and non-discretionary Advisory Clients, there may be circumstances when investment actions made on behalf of discretionary Advisory Clients differ from the investment recommendations provided to non-discretionary Advisory Clients.

---

**Item 17. Voting Client Securities**

The SEC adopted Rule 206(4)-6, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Because of the nature of the Adviser's current investment strategies, it is highly unlikely that the Adviser would purchase voting equity securities. Nevertheless, in compliance with such rules, the Adviser has adopted proxy voting policies and procedures. The Adviser's general policy is to vote proxy proposals, amendments, consents or resolutions relating to all investments made by the relevant Advisory Clients or other accounts in a manner that serves the best interests of such Advisory Clients or other accounts advised by the Adviser.

Investors may obtain information regarding proxy voting, including the Adviser's policies and procedures, by writing to Metropolitan Real Estate Equity Management, 299 Park Avenue, 35th Floor, New York, New York 10171, Attn: Investor Relations.

---

**Item 18. Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. At this time, the Adviser is not aware of any financial condition that could impair its ability to meet its contractual obligations to any Advisory Client. The Adviser has not been the subject of any bankruptcy petitions, including in the past 10 years.

Additional financial information is also available in current public filings with the SEC for The Carlyle Group L.P. (see [www.carlyle.com](http://www.carlyle.com), go to the “Financial Information” portion of the “Public Investors” page).