

# **CITIGROUP ALTERNATIVE INVESTMENTS LLC**

**FORM ADV PART 2A – DISCLOSURE BROCHURE**

**March 26, 2021**

**388 Greenwich Street  
NEW YORK, NY 10013  
212-816-7713**

**This brochure provides information about the qualifications and business practices of Citigroup Alternative Investments LLC. If you have any questions about the contents of this brochure, please contact us at (212) 816-7713. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Citigroup Alternative Investments LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Citigroup Alternative Investments LLC is an SEC-registered investment adviser. Being a registered investment adviser does not imply a certain level of skill or training.**

## **Item 2 Material Changes**

**There were no material changes since the last update of this Brochure. The last update was on March 6, 2020**

### Item 3 Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	5
Item 6	Performance-Based Fees and Side-By-Side Management .....	7
Item 7	Types of Clients .....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9	Disciplinary Information .....	23
Item 10	Other Financial Industry Activities and Affiliations .....	24
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	24
Item 12	Brokerage Practices.....	29
Item 13	Review of Accounts .....	29
Item 14	Client Referrals and Other Compensation.....	30
Item 15	Custody .....	30
Item 16	Investment Discretion .....	30
Item 17	Voting Client Securities .....	31
Item 18	Financial Information.....	31

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

Citigroup Alternative Investments LLC (“CAI LLC”) is a wholly-owned subsidiary of Citigroup Investments Inc., which is a wholly-owned subsidiary of Citigroup Inc. (“Citigroup”). Citigroup is a publicly held company. CAI LLC commenced operation in March of 2002. CAI LLC’s investment advisory business is also carried out by certain affiliated “relying advisors,” including Citigroup Private Equity LP, Citigroup Private Equity (Offshore) LLC, and Citi Private Equity (CVCII GP) LLC (taken collectively with CAI LLC, “CAI”). CAI provides advisory services to private investment companies such as private equity funds and funds of one or more private equity and real estate funds (referred to herein collectively as “Funds” and each individually as a “Fund”). The Funds CAI advises include private funds and employee securities companies.

Following the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection of 2010 and other laws and regulations as a result of the 2008 financial crisis, CAI has substantially modified its business, including through the divestiture of a significant portion of its business units, management contracts and employees. CAI does not intend to organize or offer any new investment products or to acquire any new advisory clients.

CAI continues to provide investment advisory services for the types of products listed below. All of the investment products advised by CAI are currently past the active investment stage, in which new investment opportunities are sought and made, although certain funds have the capacity to make follow-on investments in existing assets. CAI has also engaged sub-advisers to assist with the management of several of its advised funds following the divestitures described above.

##### *Private Equity Fund Products:*

CAI has organized and advises limited partnerships, limited liability companies and other investment vehicles that have acquired non-publicly traded securities that they hold for an extended period of time (“Private Equity Investment Funds”). The securities in which Private Equity Investment Funds invest often have been acquired in management buyouts, or in connection with company growth or restructurings. These securities are in the form of common equity, preferred equity, convertible debt, debt or other instruments. The capital provided by the investments has been used in the early or intermediate stages of an enterprise or has funded the expansion of an established business.

CAI also advises investment partnerships where substantially all of the assets of which are invested in one designated underlying Private Equity Investment Fund and, in one case, an underlying infrastructure fund, in each case sponsored and managed by a third party (each, a “Private Equity Feeder Fund. CAI’s role with respect to Private Equity Feeder Funds is essentially administrative, rather than investment advisory in nature, as CAI is responsible primarily for effecting the Private Equity Feeder Fund’s investment in the designated underlying investment fund, in accordance with the Private Equity Feeder Fund’s governing documents.

##### *Real Estate Products:*

In the real estate investing area, CAI organized and advises private investment companies (each, a “Fund of Real Estate Funds”) that invested in various underlying real estate limited partnerships,

limited liability companies and other investment vehicles that invested, directly or indirectly, in real estate and real estate-related investments, broadly defined (such underlying vehicles, “Real Estate Funds”) that CAI selected but which are sponsored and managed by third parties.

### ***Particular Investment Restrictions***

Individual investors in a Fund are not consulted in the design or implementation of the Fund’s investment program. Each Fund’s governing documentation will describe that Fund’s investment program.

### ***Definitions***

The term “Feeder Fund” means a Private Equity Feeder Fund. The term “Fund of Funds” means a Fund of Real Estate Funds. The term “Underlying Fund” means an investment fund that is sponsored and managed by a third party in which a Feeder Fund or Fund of Funds has invested.

### ***Assets Under Management***

As of December 31, 2020, CAI managed approximately \$431,806,445 of discretionary assets and \$0 of non-discretionary assets.

## **Item 5 Fees and Compensation**

### ***Fees Charged: Private Equity Fund Products***

Each Private Equity Investment Fund and Private Equity Feeder Fund will generally pay CAI a management fee quarterly in arrears, at an annual rate based on the aggregate capital commitments of the Fund’s investors during a defined investment period; thereafter, on invested capital. In addition to the management fee, a Private Equity Investment Fund pays CAI an incentive allocation based on the return of the Fund and/or its investments, often only after exceeding a hurdle rate of return to the Fund’s investors. The amount of the management fee and incentive allocation for a particular Fund will be set forth in the offering materials for that Fund. Investors pay fees directly to the relevant Fund.

### ***Fees Charged: Real Estate Products***

Each Fund of Real Estate Funds pays CAI a management fee quarterly in arrears, at an annual rate generally based on the aggregate capital commitments of the Fund’s investors during a defined investment period; thereafter, on invested capital or the net asset value. In addition to the management fee, a Fund of Real Estate Funds pays CAI an incentive allocation and/or incentive fee based on the return of the Fund and its investments. The amount of the management fee, incentive allocation and/or incentive fee for a particular Fund will be set forth in its offering materials.

### ***Multiple Layers of Fees and Expenses***

Investors in a Fund of Funds or in a Feeder Fund will in effect pay two sets of fees and expenses.

For a Fund of Funds, investors will pay management fees to CAI and vehicle expenses at the Fund level and will also indirectly pay management fees to the sponsor of the Underlying Fund and vehicle expenses at the Underlying Fund level. As a result, investors pay more in fees by investing in a Fund of Funds than they would by investing directly in the underlying Real Estate Funds. However, because of high minimum investment levels and other reasons, investors in a Fund of Funds generally would not have the opportunity to invest directly in the Underlying Funds. In addition, by investing in a Fund of Funds, investors receive the benefit of diversification through professional management of a portfolio consisting of multiple Underlying Funds.

Investors in Feeders also pay multiple sets of fees and expenses: one directly at the Feeder level and one (indirectly) at the Underlying Fund level. As a result of the payment of multiple levels of fees and expenses, investors pay more fees by investing in a Feeder than they would by investing directly in the Underlying Fund. Because of high minimum investment levels and other reasons, however, investors in Feeders generally would not have the opportunity to invest directly in the relevant Underlying Fund.

### ***Method of Payment of Fees***

Funds will pay any management and incentive fees at such times and in such manner specified in their respective offering materials and other governing documentation. Such fees will typically be paid from the Fund and deducted from an investor's net asset value per share or capital account, as applicable.

### ***Additional Compensation Received by Affiliates***

Affiliates of CAI have typically received placement fees for placing interests in Funds from the Funds and/or from CAI as a Fund's manager. Where the Funds placed were Feeder Funds, these affiliates and/or CAI also typically received compensation from the manager of the Underlying Fund. CAI also receives fees from certain Funds for the provision of administrative services, the responsibility for all or a portion of which may be subcontracted to affiliates of CAI or to unaffiliated third parties. Affiliates of CAI also may have direct relationships with, and provide certain other services to, a Fund or a Fund's portfolio companies for which the affiliate receives compensation.

### ***Additional Fees and Expenses***

As described in more detail in the relevant offering documentation, each Fund typically bears its organizational and offering expenses and its operating and other expenses, which may include, but not be limited to, direct investment-related expenses (e.g. custodial fees, interest expense, consulting and other professional fees relating to particular investments), reporting and legal expenses, accounting, audit and tax preparation expenses, remuneration to directors or managing members, as applicable, insurance, administrator fees, liability insurance premiums, any extraordinary expenses and other similar expenses related to the Fund.

### ***Compensation of CAI Personnel***

CAI's personnel and supervised persons do not receive commissions tied directly to the sale of any particular securities or other investment products advised by CAI in the form of asset-based sales charges or services fees. However, historically certain CAI personnel were registered as broker-dealer representatives of Citigroup Global Markets Inc. and as such marketed CAI's Funds to institutional investors in the past, as further described in Item 10 "Other Financial Industry Activities and Affiliations." Affiliates of CAI that served as placement agents, referral agents or distributors for CAI products and third party marketers received compensation for those activities.

### ***Payment of Fees in Advance and Arrears***

Generally, fees payable to CAI are paid in arrears or less than six months in advance.

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

CAI and its affiliates receive performance-based fees from certain of our Funds. Most funds are also charged fixed fees, such as management fees, which may include asset-based fees in certain cases. The performance-based fees may have created an incentive for CAI to cause the relevant Fund to make investments that are riskier or more speculative than would have been the case if CAI did not receive a performance-based fee, or to have directed investments in favor of a Fund that pays a performance-based fee. None of the Funds advised by CAI is making investments in new portfolio companies or Underlying Funds, as applicable. For certain Funds, some or all of these performance-based and/or fixed fees are payable to third-party sub-advisers or other service providers to the Funds. Please refer to Item 11 "Code of Ethics, Participation in Client Transactions and Personal Trading" and Item 12 "Brokerage Practices" for a discussion of CAI's conflict management procedures, incentive compensation arrangements, managerial review and oversight and allocation policy, all of which are intended to mitigate conflicts.

## **Item 7 Types of Clients**

CAI provides investment advice only to Funds. However, the ultimate investors in Funds advised by CAI are institutional investors, funds of funds, high net worth individuals and employees and former employees of Citigroup Inc.

*Private Equity Fund Products:* Ultimate investors in each Private Equity Investment Fund and Private Equity Feeder Fund generally were required to make a minimum capital commitment ranging from \$25,000 to \$3,000,000. The minimum for any specific Fund was set forth in the offering materials for that Fund.

*Real Estate Products:* Ultimate investors in each Fund generally were required to make a minimum capital commitment ranging from \$250,000 to \$5 million, depending on the terms of the specific Fund.

In its discretion, CAI retained the right to accept a lower capital commitment from an investor.

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

As used in this Item 8, “Investment Managers” and “CAI” include CAI and its relying advisors unless the context indicates otherwise. “Underlying Fund Manager” means the third-party investment manager or investment adviser to an Underlying Fund. Unless the context indicates otherwise, all references to “Funds” in this Item 8 should be read to include “Underlying Funds.”

**Private Equity Fund Products:**

***Investment Process and Method of Analysis:***

CAI’s Private Equity Investment Funds are all currently past the active investment stage, in which new investment opportunities are sought and made, although certain Funds have the capacity to make follow-on investments in existing portfolio companies.

With respect to each Private Equity Investment Fund sponsored by CAI, the investment team generally employed fundamental research, specific industry knowledge, proprietary relationships and partnerships with management teams to identify attractive investment opportunities, often targeting industries that are undergoing change or are otherwise out-of-favor. The teams applied experience and proprietary relationships in seeking to create a sustainable advantage throughout the investment process. After preliminary screening, relevant investment professionals applied their industry experience to perform in-depth due diligence with management to achieve a comprehensive understanding of a prospective portfolio company’s competitive position, identify the opportunities and risks associated with a prospective investment, and develop an investment thesis. This analytic process included constructing alternative business and financial scenarios that test the capital structure of and potential equity returns from a proposed investment.

For its Feeder Funds and Funds of Private Equity Funds to select underlying Private Equity Investment Funds and monitor their performance, CAI generally considered (1) investment strategy and targeted sectors; (2) personnel and the underlying fund’s investment team; (3) track record and transactions done by the investment team; and (4) terms and fit with investor objectives. Within each of these broad areas, CAI used an extensive list of issues, questions and metrics that are designed to assist it in deciding whether to invest in a particular fund. Interviews with other investors and lenders and verification from independent professionals may also be undertaken.

***Strategy Risks:***

***Nature of Investment.*** An investment in a Private Equity Investment Fund and Feeder Fund requires a long-term commitment with no certainty of any return, and should be undertaken only by investors capable of evaluating and bearing a high level of risk and lack of liquidity. Private equity and infrastructure investments are generally highly illiquid, and there can be no assurance that a Fund will be able to realize its investments in a timely manner. Dispositions of investments may require a lengthy time period, and an inability to find or consummate a sale may result in distributions in kind of illiquid securities to the investors. Additionally, private equity funds typically invest in securities that cannot be sold except pursuant to a registration statement filed under the Securities Act of 1933 (“Securities Act”) or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. securities laws. The securities in which a Fund invests may be the most junior in what typically will be a complex capital structure, and thus subject to the greatest risk of loss.



Certain of a Fund's investments may be in businesses with little or no operating history. A Fund may also have investments in businesses with high levels of debt or in leveraged buyouts; leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Since a Fund may make only one investment (where a fund is a Feeder Fund or other single-investment vehicle) or only a limited number of investments, and since a Fund's investments generally will involve a high degree of risk, poor performance by only one or two investments could severely affect the total returns to the investors.

***Risks Upon Disposition of Investments.*** In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Fund may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors. Fund partnership or other governing agreements contain provisions to the effect that if there is any such claim during or after the term of the applicable partnership in respect of a portfolio company, it will be funded by the applicable partners to the extent that they have received distributions from the Fund, subject to certain limitations.

In addition, a Fund's investments will typically be in privately purchased illiquid securities, which are normally subject to restrictions on resale. In some cases, the Fund may be prohibited from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate. As a result, there is a significant risk that a Fund may be unable to realize its investment objectives by sale or other disposition at attractive prices, or will otherwise be unable to complete any exit strategy, of its investments.

***Investment in Restructurings; Insolvency of Portfolio Companies.*** A Fund may have made investments in restructurings that involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damage suffered by parties as a result of such actions. In addition, under circumstances involving a portfolio company's insolvency, payments to a Fund and distributions by such Fund to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Investments in restructurings involving non-U.S. portfolio companies may be subject to various laws enacted in the countries of their issuance for the protection of creditors. These considerations will differ depending on the country in which each portfolio company is located or domiciled.

***Need for Follow-On Investments.*** Following the initial investment in a portfolio company, the Fund may be called upon to provide additional funds or have the opportunity to increase its

investment in such portfolio company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make such an investment at that time. The Fund's decision not to make a follow-on investment or its inability to do so may have a substantial negative impact on the portfolio company and, therefore, the return from such investment.

Please also refer to "*General Risks*" below.

### **Real Estate Funds:**

#### ***Investment Process and Method of Analysis:***

CAI's Real Estate Funds are all currently past the active investment stage, in which new investment opportunities are sought and made, although certain Funds have the capacity to make follow-on investments in existing assets.

CAI generally selected Underlying Funds for the Fund of Real Estate Funds based on performance track record, organizational ability to execute the investment strategy, and financial capacity to meet obligations, among other factors. CAI used information obtained from various outside research firms, coupled with internal economic and real estate market analysis, to ascertain which geographic markets and what property types offer attractive investment opportunities.

#### ***Strategy Risks:***

***Investment in Real Estate Funds.*** Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the investments made by Underlying Funds that are real estate funds. The marketability and value of real estate investments made by the Underlying Funds will depend on many factors beyond the control of the funds or their investment managers, including, without limitation: changes in general economic or local conditions and/or specific industry segments; declines in rental or occupancy rates; competition from other developments; changes in supply of or demand for competing properties in an area (as a result, for instance, of over-building); geographic or market concentration; the ability of the Underlying Funds or property managers to manage the real properties; changes in interest rates; the promulgation and enforcement of governmental regulations relating to land use and zoning restrictions, environmental protection and occupational safety; unavailability of mortgage funds which may render the sale or refinancing of a property difficult; location of the properties; the financial condition of borrowers and of tenants, buyers and sellers of property; changes in real estate tax rates and other operating expenses; the imposition of rent controls; energy and supply shortages; various uninsured or uninsurable risks; and natural disasters. These factors may have an adverse impact on the performance of the Underlying Funds in which a Fund of Real Estate Funds invests, and there can be no assurance that such Underlying Funds will effectively manage these risks.

Please also refer to "*General Risks*" below.

## **General Risks**

Alternative investments entail a high degree of risk. Investors should give careful consideration to the following risk factors and conflicts of interest detailed in this Item 8 and other product-specific information provided by the product or CAI in evaluating the merits and suitability of any Fund products. The following does not purport to be a comprehensive summary of all the risks and conflicts of interest associated with the Funds. Investing in Funds involves a risk of total loss that clients must be prepared to bear.

### **Investment in General**

Any investor must be able to bear the risks involved and must meet the suitability requirements of the relevant Fund. Some or all alternative investment strategies employed by the Funds may not be suitable for certain investors. No assurance can be given that any Fund's investment objectives will be achieved. Investments in private equity funds, real estate funds and other types of private investment funds are typically speculative and involve a substantial degree of risk. Past results of the Funds or any other private investment funds managed by an investment manager are not necessarily indicative of future performance of any Fund and the performance of any Fund may fluctuate. Investment results may vary substantially on a quarterly or annual basis. The establishment and use of a Fund does not constitute a complete investment program. Each investor must realize that it could lose all or a substantial amount of its investment in a Fund.

CAI expects that certain Funds may underperform or experience financial difficulties, which difficulties may never be overcome. CAI's Funds are generally highly illiquid and do not permit redemptions. Investment Managers or Underlying Fund Managers may have implemented highly speculative investment techniques, including high leverage, highly concentrated portfolios, workouts and startups, control positions and illiquid investments. Neither CAI nor any investor will have the ability to direct or influence the management of an Underlying Fund Manager's investments. As a result, the returns of any Fund that allocates to an Underlying Fund will depend primarily on the performance of such Underlying Fund Manager and could suffer substantial adverse effects by the unfavorable performance of such Underlying Fund Manager. No assurance can be given that a Fund will achieve its goals or investment objectives. If a Fund receives distributions in kind from an Underlying Fund, it may incur additional costs and risks to dispose of such assets.

### **General Economic Conditions; Market Disruption**

The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of asset prices, liquidity, interest rates and the extent and timing of investor participation in the markets for both equity and interest-rate-sensitive securities. Investments made by any Fund may be sensitive to the performance of the overall local, national and/or regional economy in which the portfolio company operates. A downturn in economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of investments made by any Fund, and may also adversely affect the Fund's ability to execute its investment strategy and exit its investments profitably and in a timely manner. Furthermore, volatility, illiquidity, governmental action, currency devaluation, or other events in local, regional,

national and/or the global markets in which a Fund directly or indirectly holds positions could impair the Fund's ability to achieve its investment objectives and could cause the Fund to incur substantial losses.

### Market Disruption and Political Risk

The success of any investment activity is influenced by general geopolitical, economic and financial conditions that may affect the level and volatility of asset prices, liquidity, inflation/deflation, interest rates and the extent and timing of investor participation in the markets for both equity and interest-rate-sensitive securities. Volatility, illiquidity, governmental action, currency devaluation, geopolitical events or other events in global markets in which the Fund directly or indirectly hold positions could impair the Funds' ability to achieve its investment objectives and could cause the Funds to incur substantial losses.

Ongoing trade negotiations may create uncertainty for the investment strategies of the Funds and adversely affect profitability. Since March 2018, the U.S. has imposed tariffs and other trade restrictions and signaled that it may additionally alter trade agreements and terms between the U.S. and China, the European Union, Canada and Mexico, among others, including limiting trade and/or imposing tariffs on imports from such countries. In addition, China, the European Union, Canada and Mexico, among others, have either threatened to or put into place retaliatory tariffs of their own. A "trade war" or other governmental action related to tariffs or international trade agreements or policies has the potential to increase costs, decrease margins, reduce the competitiveness of products and services, and adversely affect the revenues and profitability of current and future issuers in which the Fund may directly or indirectly invest. Furthermore, there is additional uncertainty as to the scope of such actions or events stemming from the 2020 election of Joseph R. Biden, Jr. and the Democratic Party's current control over both houses of Congress.

Political tensions between the United States and China have escalated due to, among other things, the imposition of tariffs by both the U.S. and China, the COVID-19 outbreak, the passage of the Hong Kong national security law by the PRC National People's Congress on June 30, 2020, a presidential executive order ending Hong Kong's special status within the United States, sanctions imposed by the U.S. Department of Treasury on certain PRC and Hong Kong SAR officials and reciprocal sanctions imposed by the Chinese government on certain U.S. individuals, executive orders issued by U.S. President Donald J. Trump prohibiting certain transactions with certain Chinese companies and their applications as well as certain transactions with companies that develop and control certain Chinese software applications, export restrictions on numerous Chinese companies engaging in certain activities deemed contrary to U.S. national security or foreign policy, as well as the executive order issued by President Trump in November 2020 prohibiting U.S. persons from holding publicly traded securities of identified "Communist Chinese military companies" or securities that are derivative of, or are designed to provide investment exposure to such securities. Rising political tensions could reduce levels of trade, investments, technological exchanges and other economic activities between the world's two largest economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets within and outside the United States.

Events such as wars, terrorist attacks, political unrest, power or technology failures, climate change, natural disasters and rapid spread of infectious diseases may increase short-term market

volatility and may have adverse long-term effects on U.S., European and other non-U.S. economies and markets generally. Such events could impair the Fund's ability to achieve its investment objectives and could cause the Fund to incur substantial losses by, among other things: causing disruptions in global economic conditions; decreasing investor confidence; disrupting financial markets and the ability to conduct business in key business centers; causing loss or displacement of employees; triggering large-scale technology failures or delays; breaching information and cyber-security infrastructure; and requiring substantial capital expenditures and operating expenses to remediate damage and restore operations.

### Public Health Crises and COVID-19

Public health crises, pandemics and epidemics, such as those caused by new strains of viruses including, most recently, the novel coronavirus (COVID-19), are expected to increase as international travel continues to rise.

COVID-19 is expected to directly and indirectly adversely impact the Fund, and the issuers in which they invest, in material respects by creating significant volatility in financial markets, interrupting business activities, supply chains and transactional activities, disrupting travel and negatively impacting the economies of the affected countries or regions in material respects, as well as creating particularly devastating consequences for certain industries such as transportation, hospitality and entertainment. Defaults, including counterparty, investor and financing defaults have occurred. Extraordinary and wide-ranging actions have been taken by international, federal, state, and local public health and governmental authorities to mitigate the impact of COVID-19, including quarantines, stay-at-home orders, travel restrictions and business closure mandates requiring that individuals substantially restrict daily activities and that businesses substantially modify, curtail or cease normal operations. Many of these measures are currently in place in many jurisdictions, and additional measures may be imposed by governmental authorities in the future. COVID-19 presents material uncertainty as to the performance of the Funds and their respective investments.

There is significant uncertainty regarding the extent to which and how long COVID-19 and related government directives, actions and economic relief efforts will disrupt the U.S. and global economy and thus, the performance of the Funds and their respective investments. In December 2020, the United States and certain other countries began distributing vaccines that are expected to help to reduce the spread of the coronavirus. If the vaccines prove less effective than currently expected by the scientific community due to multiple variants of the virus or otherwise, or if there are problems with the acceptance, availability, timing or other difficulties with widely distributing the vaccines, the pandemic may last longer than expected and could continue to materially and adversely impact the Funds and the issuers in which they invest.

### Business Continuity

CAI has business continuity plans that provide for continuity of critical operations and other activities during a variety of disruptions. They include client support responses such as conducting operations from alternate sites in different locations, if necessary, operating across multiple power grids or operating with self-generating facilities while maintaining the firm's presence in the market place and servicing client accounts. Although these plans are designed to limit the impact

on clients from such business interruptions, unforeseen circumstances may create situations where CAI is unable to fully recover from a significant business interruption. CAI believes its planning and implementation process reduces the risk in this area.

### Potential Impact of Brexit

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as “Brexit”. The United Kingdom’s withdrawal from the European Union occurred on January 31, 2020, and the United Kingdom remained in the European Union’s customs union and single market until December 31, 2020 (the “Transition Period”). The United Kingdom and the European Union agreed a Trade and Cooperation Agreement on December 24, 2020 (the “TCA”), which is intended to be operative from the end of the Transition Period. The TCA was ratified by the United Kingdom on December 30, 2020 and is expected to come into full force in 2021 once relevant European Union institutions have also ratified the TCA. Until then, the TCA governs the United Kingdom’s relationship with the European Union on an interim basis. While the TCA regulates a number of important areas, significant parts of the United Kingdom economy are not addressed in detail by the TCA, including in particular the services sector, which represents the largest component of the United Kingdom’s economy. A number of issues, particularly in relation to the financial services sector, remain to be resolved through further bilateral negotiations during the course of 2021. As a result, the new relationship between the United Kingdom and the European Union could in the short-term, and possibly for longer, cause disruptions to and create uncertainty in the United Kingdom and European economies, prejudice to financial services businesses that are conducting business in the EU and which are based in the United Kingdom, legal uncertainty regarding achievement of compliance with applicable financial and commercial laws and regulations, and the unavailability of timely information as to expected legal, tax and other regimes. Therefore, the longer term economic, legal, political and social frameworks to be put in place between the United Kingdom and the European Union are unclear at this stage which is likely to lead to ongoing political and economic uncertainty, increased burdens and restrictions on underlying borrowers and underlying investments (including related to travel, citizenship, location of assets and imposition of taxes), and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. In particular, currency volatility may mean that the returns of the Funds are adversely affected by market movements and may make it more difficult, or more expensive, for the Funds to execute prudent currency hedging policies.

### Regulatory Risks

The industry of private equity funds, real estate funds and other private investment funds has been and is expected to continue to be subject to increased regulation and public scrutiny. Legal, tax and regulatory changes are expected to occur that may adversely affect the Funds. The regulatory environment for private equity funds, real estate funds, and other investment funds is evolving globally, and changes in the regulation of investment funds may adversely affect the value of investments held by the Funds and the Funds’ ability to pursue certain objectives and to realize on their investments. The effect of any future regulatory change on the Funds could be substantial and adverse.

### Credit Market Conditions

The ability of a Fund to generate attractive investment returns for its investors may be adversely affected to the extent the Fund or its investments are unable to obtain favorable financing terms. Moreover, to the extent that local or regional markets experience economic downturns over the medium to long term, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of economies in which certain portfolio companies operate. Such an economic downturn could adversely affect the financial resources of operating partners and investment projects in which a Fund or its portfolio companies participate, and may result in the inability of such partners and projects to make principal and interest payments on outstanding debt when due, and may also restrict the ability of any Fund to sell or liquidate investments at favorable times or for favorable prices.

### Dependence on the Investment Managers

All decisions with respect to the assets and the general management of a Fund will be made by the relevant Investment Manager and all decisions with respect to Underlying Funds' assets and the general management of the Underlying Funds will be made by the Underlying Fund Managers. Investors in the Funds have no right or power to take part in the management of the Funds. As a result, the success of a Fund will depend largely upon the ability of the Investment Manager (or the Underlying Fund Manager, as applicable) and its personnel.

### Government Regulation – Financial Stability Legislation; the Volcker Rule.

The Dodd-Frank Wall Street Reform and Consumer Protection of 2010 (the “Dodd-Frank Act”) included significant alterations to the regulations applicable to financial institutions and investment advisors, including CAI and its affiliates, as well as the investment funds CAI sponsored and manages. Among other things, the “Volcker Rule” contained in the Dodd-Frank Act limits the ability of banking entities and their affiliates, including CAI, to sponsor and invest in, and in some cases serve as investment manager of, investment funds. As a result of the Dodd-Frank Act and the multitude of regulations being passed to implement its broad provisions, CAI has undertaken significant actions to modify its business, including the divestiture of a substantial portion of its business over the past several years and has discontinued engaging in any new activities. CAI continues to evaluate the effect of these laws and regulations and actions it may need to take to ensure conformance with the Volcker Rule. No assurance can be given that the Funds will be able to continue to operate consistent with past practice as a result of the Volcker Rule or that any such further actions will not have a significant negative impact on the Funds or their investors. In particular, certain of the Funds are employee securities companies (“ESCs”), which are considered “banking entities” for purposes of the Volcker Rule and therefore subject to the same restrictions as Citi under the rule. As a result, the ESCs along with some other Funds may have been required to divest or restructure certain investments deemed “covered funds” (as defined in the Volcker Rule) prior to the conformance date of July 21, 2017. Certain ESCs and certain Funds were granted illiquid fund extensions by the Fed and those ESCs and Funds that were not eligible for an extension were either restructured to conform or disposed of. Investments in the Funds are not deposits of, nor obligations of, nor guaranteed by CAI; are not government guaranteed or FDIC insured; and are subject to investment risk, including possible loss of the principal amount invested. Any losses in the Funds will be borne solely by investors in the Funds, and not by CAI. Citi’s losses in the Fund (if any) will be limited to losses attributable to any ownership interest in the Funds held by CAI and any affiliate in the capacity as an investor in the Funds or as beneficiary of a restricted profit interest held by CAI or an affiliate.

## Data Privacy Regulation

The legislative and regulatory framework for privacy and data protection issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Personal data may be subject to a variety of U.S. federal, state and international laws and regulations, including: in respect of individual customers and corporate entities domiciled in the European Union, the European Economic Area or the United Kingdom, the General Data Protection Regulation (EU) 2016/679 (the “GDPR”) and the European Directive on Privacy and Electronic Communications 2002/58/EC (“ePrivacy Directive”); the Data Protection Act (As Amended) of the Cayman Islands (the “DPA”); China’s Cybersecurity Law (“CSL”); and in respect of California residents, California Consumer Privacy Act (the “CCPA”). Governments are continuing to focus on privacy, cybersecurity, data protection and data security and it is possible that new privacy or data security laws will be passed or existing laws will be amended in a way that is material to Citigroup, CAI, the Underlying Fund Managers and the Underlying Funds.

The European Union’s GDPR came into force in May 2018 and created new requirements regarding the protection of personal data and significantly increased the financial penalties for noncompliance, which can be up to the greater of four percent of global revenue or 20 million euros, and also confers a private right of action on data subjects for breaches of data protection requirements. The Cayman Island’s DPL, which took effect September 30, 2019, creates new obligations for “data controllers” and “data processors” regarding the protection of personal data. Breach of the DPL may lead to enforcement action, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution. China’s CSL took effect in June 2017 and is the first Chinese law that systematically lays out the regulatory requirements on cybersecurity and data protection, subjecting many previously under-regulated or unregulated activities in cyberspace to government scrutiny. Additionally, California’s CCPA creates new individual privacy rights for consumers and increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA, which went into effect on January 1, 2020, requires covered companies to provide new disclosures to California consumers, and provides such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation.

The costs of compliance as well as consequences of noncompliance with global privacy and data security requirements may adversely affect the Funds. Further, given that the scope, interpretation, and application of these laws and regulations are often uncertain and may be conflicting, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other laws or regulations of an applicable jurisdiction, such as anti-money laundering laws and regulations. If a Fund is unable to provide information to an Underlying Fund due to such conflicting requirements, the Underlying Fund Managers may determine to take any actions permitted by the relevant Underlying Fund agreements or required by applicable law. These actions may include freezing the Fund’s investment in the Underlying Fund or compulsorily redeeming the Funds from the Underlying Fund. Any such action by the Underlying Fund Managers could have a material adverse effect on the Funds.



### Merchant Bank Holding Periods

Funds advised by CAI are considered an affiliate of Citi and are subject to regulation by the Federal Reserve, the SEC, and other regulators. These Funds are in full compliance with the merchant banking holding periods. To the extent it is necessary to conform an investment at any time in the future for a regulatory reason, Funds may be required to divest investments prior to the natural exit timing.

Applicable Funds may submit one-year application extensions to the extent merchant banking investments have not been divested prior to their respective holding period. There is no guarantee the extensions will be granted and the Fund will be required to divest each of these investments within the holding period ultimately determined by the Federal Reserve.

### Illiquidity of Alternative Investments

The documents governing the Funds generally impose substantial restrictions on transfers of an interest in the Funds and require the consent of the Investment Manager to be obtained before any such transfer. An Investment Manager may generally withhold such consent for any reason or no reason. Interests in the Funds were offered without registration under the Securities Act, in reliance upon an exemption contained in Section 4(2) of the Securities Act and/or Regulation D under the Securities Act. There is no public market for such interests and, for a variety of regulatory reasons, no such market will be permitted to exist. Investors also generally may not redeem an interest in or otherwise withdraw from a Fund.

### Use of Underlying Fund Managers

In investing in a Feeder Fund or Fund of Funds, investors will incur the costs of multiple levels of investment advisory services: the fees to CAI as described more fully above, and the management and incentive and others fees paid or allocations made to Underlying Fund Managers themselves. The asset-based fees of the Underlying Fund Managers generally range from 1% to 3%, and the performance-based allocations or fees of the Underlying Fund Managers generally range from 10% to 30% of net capital appreciation. CAI and some Underlying Fund Managers may manage or invest in other funds or funds-of-funds, which would add additional layers of fees. In addition to advisory fees and its own investment and operational expenses, each Fund will incur its proportionate share of all of the expenses of the Underlying Funds, including, but not limited to, brokerage commissions and legal and accounting fees. In some instances, affiliates of the Investment Manager receive fees or other compensation as a result of a Fund's investments.

CAI or its affiliates and the Underlying Fund Managers of many, and possibly all, of the Underlying Funds are compensated through incentive fee arrangements. Under these incentive fee arrangements, CAI and the Underlying Fund Managers may benefit from appreciation, including unrealized appreciation, in the value of the account, but may not be similarly penalized for realized losses or decreases in the value of the account. Such fee arrangements may create an incentive for CAI and the Underlying Fund Managers to make investments that are unduly risky or speculative. Depending on how a performance fee is calculated, some Underlying Fund Managers and CAI may receive performance fees even though the relevant Underlying Fund or the investing Fund as a whole is not profitable.

Underlying Fund Managers may provide limited transparency to CAI into their respective investment activities and operations. While CAI has policies and procedures in place to evaluate and monitor the operations of Underlying Fund Managers with whom the Funds invest, there can be no assurance that a Fund will not be exposed to losses due to operational failure, business interruptions, or improper or illegal activities by one or more Underlying Fund Managers, and it may be difficult, if not impossible, for a Fund and CAI to protect investors from the risk of any Underlying Fund Manager engaging in fraud, misrepresentation or material strategy alteration. CAI's access to information about the Funds' investments on a daily or regular basis will be limited, and investors in the various Funds typically have no right to demand such information. In addition, CAI may not be able to ascertain investment positions taken by many of the Underlying Funds in which Funds invest and it is unlikely that CAI will be able to effectively verify many of the valuations provided by Underlying Fund Managers. If an Underlying Fund Manager were to incorrectly value or misrepresent the value of an investment in an Underlying Fund, such incorrect value or misrepresentation could have a material adverse effect on the performance of the relevant Fund.

While the use of multiple Underlying Fund Managers may provide some diversification of investment risk, no assurance can be given that such diversification will occur, or that if it does, that it will increase, rather than reduce, potential net profits.

Investors themselves will generally have no direct dealings or contractual relationships with any Underlying Fund Manager or the funds they manage.

#### Privately Offered Funds

The Funds are generally not subject to many provisions of the federal securities and commodities laws that are designed to protect investors in pooled investment vehicles offered to the public in the United States. The interests in Funds were not offered pursuant to registration statements effective under the Securities Act and generally are not subject to the periodic information and reporting provisions of the Exchange Act, nor are any of the Funds registered as investment companies under the Investment Company Act.

#### Valuation Risks

Valuations of the Funds' directly or indirectly held assets may involve uncertainties and require the application of business judgment. If such valuations should prove to be incorrect, the net asset value of a Fund could be adversely affected, and prices obtained on disposition of assets could differ materially. Valuation of assets of the Funds is generally based on the net asset value of Funds reported by the Investment Manager in accordance with its practices and policies. With respect to Funds that allocate to an Underlying Fund, valuation of the assets of such Funds is generally based on the net asset value of the relevant Underlying Fund reported by its Underlying Fund Manager in accordance with its practices and policies, without independent verification by CAI. Such practices and policies may not be consistent among Underlying Fund Managers. These valuations may be based on unaudited financial records and, in some cases, may be only a preliminary or estimated calculation of the net asset value and, therefore, may be subject to adjustment (upward or downward) upon the auditing of such financial records.

### Risk Management

Citi's alternative investments risk management team includes professionals with experience in analyzing the risks of investing in private equity and underlying fund assets on a global basis. Where applicable, Citi believes that risk management for alternative investment funds making and managing illiquid private equity and fund-of-fund investments requires an understanding of key strategic and financial factors at both the Fund level and the investee company or Underlying Fund level, as applicable, as well as applicable local and regional macroeconomic, political and regulatory factors that may affect an investee asset and its performance. Citi's risk management team meets periodically with each Fund's asset management team as appropriate to review the status of the Fund's investments and receives additional updates as needed on any individual asset. No risk management process is fail-safe, and no assurances can be given that Citi's risk management process will achieve its objective. From time to time, Citi may modify or change its risk management organization and/or practices in its sole discretion.

### Leverage

Funds may be authorized to borrow funds in order to employ leverage, to manage liquidity and for any other purpose (as specified in their respective account documentation and governing documents). Such borrowings may be secured by a pledge of assets to the lender. At the same time, leverage increases the Funds' exposure to capital risk and higher current expenses through greater exposure to losses, interest charges, fees imposed by lenders and transaction costs. Any leverage at the Fund level will be in addition to the often substantial leverage employed by the Underlying Fund Managers and would serve to further increase the risk associated with these positions.

### Distributions In-Kind

Although Funds generally intend to make distributions in cash, it is possible that under certain circumstances (including upon the liquidation of a Fund), distributions may be made in kind. In such cases, the securities distributed are likely to consist of securities in privately held companies that may be subject to legal and contractual restrictions on transfer and for which there is no readily available public market or other means of realizing an investment return. There can be no assurance that investors will be able to liquidate such assets in a timely manner (if at all) or that any such liquidation will be at a favorable price. The risk of loss and delay in liquidating any assets distributed in kind will be borne by investors.

### Reliance on Portfolio Company Management

Although CAI seeks to monitor the performance of each investment, Funds rely upon management of their portfolio companies to operate the companies on a day-to-day basis. There can be no assurance that such management, or any new management, will operate their businesses successfully.

### Bankruptcy of Portfolio Companies

A Fund's portfolio companies may experience financial difficulties and become insolvent or file for bankruptcy protection. National and local laws of the jurisdiction in which a bankruptcy filing is made (and any other relevant jurisdiction) in connection with such bankruptcy proceedings could operate to the detriment of such Fund. There is also a risk that a court may subordinate a Fund's investment to investments of other creditors or require the Fund to return amounts previously paid

to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if the Fund has board representation at or other management rights in such portfolio company.

### Investment Selection

Investment Managers selected securities for investment and evaluate divestment opportunities on the basis of information and data prepared by the issuers of such securities as well as sources other than the issuers. Although the Investment Manager evaluates available information and data and seeks independent corroboration when it considers it appropriate and when it is reasonably available, the Investment Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data.

### Investment in Foreign Securities

Certain Funds have positions, either directly or indirectly through Underlying Fund Managers and Underlying Funds, in non-U.S. securities. Investment in non-U.S. securities may be subject to greater risks than purely domestic investments because of a variety of factors, including currency controls and the fluctuation of currency exchange rates, changes in governmental administration or economic or monetary policy (in the United States and abroad), greater risk that assets may be frozen or seized as a result of government intervention or regulation, imposition of local taxes on income and gains, fewer investor protective laws and regulations, less stringent and uniform regulations, or changed circumstances in dealings between nations. In addition, there may be less publicly available information about non-U.S. issuers than about U.S. issuers, and non-U.S. issuers are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those of U.S. issuers.

### Counterparty Risk

Funds are subject to the risk of the failure or default of any counterparty to a Fund's transactions. The institutions, including brokerage firms and banks, with which Funds do business, or to which securities have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of a Fund. Hedging transactions and other financial instruments designed to mitigate risk or otherwise support investment transactions also involve counterparty risk elements that may be impossible or impractical to eliminate and may create unforeseen exposures. If there is a failure or default by the counterparty to such a transaction, the contractual and other legal remedies available may be limited or inadequate. Counterparty risk may be reduced but not eliminated through the selection of financial institutions and types of transactions employed.

### Distributions

There can be no assurance that an investment in a Fund will generate a profit or that any Fund will make distributions on a regular basis or at all. To the extent a Fund does make distributions, such distributions may be infrequent. As a result, an investment in a Fund is not suitable for investors seeking current income.

### No Manager Liability Beyond Investment Assets

Subject to an Investment Manager's fiduciary responsibility to investors in a Fund, the Investment Manager shall have no personal liability to an investor for the return of any investment in such Fund; any such return would be made solely from the Fund's assets.

### Indemnification.

Investment Managers and other persons retained by a Fund are entitled to indemnification and/or exculpation for liability and losses incurred or arising out of their performance of services, except under certain circumstances, from the respective Fund, as set forth in more detail in the Fund's governing documents. A Fund may also enter into indemnification and other arrangements that impose limitations on liability with its service providers and other parties, including CAI.

### Early Termination

The Investment Manager or a Fund's general partner (or equivalent) may have the right to terminate a Fund in advance of the Fund's contractual term, in accordance with the Fund's governing documents. In the event of the early termination of a Fund, at the time of the associated sale or distribution of the Fund's investments, certain securities held by the Fund may be worth less than the initial cost or previously reported value of such securities, resulting in a loss to investors.

### Limited Voting Rights

The documents governing the Funds will generally provide that investors have no voting rights except in limited circumstances. Generally, investors will have no right to vote on many matters affecting the Funds, including, without limitation, the election and dismissal of directors, most amendments, supplements or other modifications to the governing documents of the Funds or the merger and/or consolidation of the Funds or the liquidation of the Funds.

### Defaulting Investors; Exclusion from Investments

Upon the failure of an investor in a Fund to fund required capital contributions, such investor will be in default. The amount of such default will accrue interest. In addition, a number of remedies may be exercised against such investor including (i) causing the defaulting investor to forfeit a portion of future distributions made by the Alternative Fund and (ii) causing the defaulting investor to be excluded from participating in future investments. In addition, the defaulting investor may have no rights to make capital contributions to the Fund.

If investors fail to fund significant subscription obligations or to make required capital contributions when due, such failure could limit a Fund's opportunities for investment diversification and could adversely affect returns as well as the Fund's ability to implement its investment strategy or otherwise continue operations. The general partner (or similar party) of the Fund will have the right in its discretion to take certain actions in order to cover shortfalls arising from the default of the investor or the exclusion or excuse of the investor as the general partner deems appropriate under the circumstances. The general partner may, for example, (i) require an increase in the capital contributions of all other investors or (ii) obtain the agreement of another investor or a third party to cover all or a portion of the shortfall. If the general partner elects to have the other investors cover the shortfall, such investors will have an increased share in such investments in proportion to their respective capital commitments, and accordingly in the risks associated with such investments.

An investor may be excluded or excused from participating in any portfolio investment if the general partner determines in its discretion that such participation might otherwise have certain materially adverse effects on a portfolio company, the Fund, other investors or any of their respective affiliates, including if such participation would be likely to result in violations of law or the imposition of a material regulatory or legal burden, or as a result of certain circumstances relating to such investor.

#### Involuntary Sale of Interest

The general partner or Investment Manager of a Fund may generally cause an investor to sell its interest if the general partner or Investment Manager, as applicable, determines that the continued participation of such investor would have a material adverse effect on the general partner, the Fund, any portfolio company, any other investor or any of their respective affiliates.

#### Tax Risks

Tax consequences to investors from an investment in a Fund are complex. There may be changes in tax laws or interpretations of such tax laws adverse to the Fund or its investors. There can be no assurance that the structure of a Fund or of any investment will be tax-efficient to any particular investor. Investors are strongly urged to consult their own tax advisers with reference to their specific tax situations, including any applicable U.S. state or local or non-U.S. taxes and, in the case of U.S. tax exempt and non-U.S. investors, with reference to any special issues that investment in a Fund may raise for such investors. For example, there can be no assurance that a Fund will have sufficient cash flow to permit it to make annual distributions in the amount necessary to pay tax liabilities resulting from any investor's ownership of interests in such Fund.

#### Political Risks and Catastrophic Events

Depending on the country in which a portfolio company is located, it may be subject to risk of adverse political developments, including nationalization, confiscation without fair compensation or war. Portfolio investments may also be subject to catastrophic events and other force majeure events, such as fires, earthquakes, severe weather conditions, changes in law, eminent domain, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of a portfolio investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

#### Substantial Fees and Expenses

The Funds are required to meet certain fixed costs, including organizational and offering expenses, investment-related expenses, and ongoing administrative and operating expenses (such as fees payable to service providers). These fees and expenses may be substantial and are payable regardless of whether any profits are realized by the Funds.

#### Side Letters and Other Agreements

Some Funds may have entered into separate agreements with certain investors, such as those affiliated with the Investment Managers or those deemed to involve a significant or strategic relationship, to waive certain terms, or to allow such investors to invest in separate classes of interests with different terms than those of the other investors, including, without limitation, with respect to fees, liquidity or depth of information provided to such investors concerning the Fund. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors in the same Fund. In addition, the Investment Manager

may specifically allocate capacity with respect to one or more of a Fund's investments to other clients or investors who desire increased exposure to such investments.

Some Funds may offer certain investors additional or different information and reporting than that offered to other investors. Such information may provide the recipient greater insights into the Fund's activities than is included in standard reports to investors, thereby enhancing the recipient's ability to make investment decisions with respect to the Fund.

**The foregoing list of risk factors is not a complete explanation of the risks involved in an investment in a Fund.**

### **Item 9 Disciplinary Information**

Below are summaries of certain legal and disciplinary events that maybe material to clients and prospective clients. Additional information about legal and disciplinary events involving us and our management persons is available in Item 11 of Part 1A on Form ADV at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Citigroup, CAI LLC and related parties were named as defendants in a putative class action lawsuit filed in October 2012 on behalf of investors in CSO Ltd., CSO US Ltd., and Corporate Special Opportunities Ltd., whose investments were managed by a subsidiary of CAI LLC. Plaintiffs asserted a variety of state common law claims, alleging that they and other investors were misled into investing in the funds and, later, not redeeming their investments. The complaint sought to recover more than \$400 million on behalf of a putative class of investors. On August 10, 2015, the parties entered into an agreement providing for a class action settlement of the litigation in the amount of \$13.5 million. The court held a final settlement hearing on December 17, 2015 and entered an order approving settlement on January 28, 2016. Additional information concerning this action is publicly available in court filings under the docket number 12-cv-7717 (S.D.N.Y.) (Castel, J.).

On August 17, 2015, Citigroup Alternative Investment LLC ("CAI LLC") and an affiliate entered into a settlement with the SEC that resolves all claims relating to the investigation by the Securities and Exchange Commission ("SEC") into the marketing and management of the Falcon and ASTA/MAT funds, alternative investment products that were managed and sold by CAI LLC and certain of its affiliates between 2002 and 2007. The SEC alleged violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and Sections 206(2) and (4) of the Investment Advisers Act of 1940, and Rules 206(4)-7 and 206(4)-8 promulgated thereunder, in that the firms' allegedly misrepresented to clients the risks and performance of these two alternative investments products from 2002 through 2008. Without admitting or denying the findings, the firms consented to an order to cease and desist, a censure, disgorgement of \$139,950,239 and prejudgment interest of \$39,612,089.

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

CAI shares resources, other employees and management, as well as investment ideas and opportunities, with any or all affiliates engaged in similar activities. Certain employees of CAI are registered as broker-dealer representatives of Citigroup Global Markets Inc.

Citigroup Global Markets Inc., Citibank, N.A. and other affiliates have acted as placement agents for securities issued by vehicles managed or sponsored by CAI. Citigroup affiliates have also provided administrative services to Funds.

### ***Material Relationships or Arrangements with Certain Related Persons.***

#### Broker-Dealer.

Citigroup Global Markets Inc., a registered broker-dealer (“CGMI”), served as the distributor of Private Equity Products and Real Estate Products. Other Citigroup affiliated entities have also served as distributors or referral agents for these CAI-advised funds. Such affiliated distributors charged placement or other fees to clients as provided in the relevant account documentation. In addition, they may share in the fees paid to CAI. See Item 5 “Fees and Compensation”.

CAI may, in certain limited circumstances, select CGMI as a broker-dealer in respect of the Funds. See Item 12 “Brokerage Practices”.

#### Banking Institutions.

As described above, certain Citigroup affiliates have served as distributors or referral agents for CAI-advised funds and accounts.

Certain Funds retain Citibank, N.A. to provide certain cash account or other custodial services. Citigroup affiliates may also provide administrative services to Funds.

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

#### Code of Ethics

CAI has adopted a Code of Ethics that memorializes CAI’s fundamental duties as a fiduciary. The Code of Ethics includes standards of business conduct and incorporates a personal investments policy. Each employee receives a copy of the Code of Ethics upon hiring and annually thereafter and must sign an attestation that such employee has read and understood such Code of Ethics.

CAI’s Code of Ethics requires each employee to prioritize the interests of the client, to avoid conflicts of interest, to never abuse such employee’s position of trust and responsibility and to comply with all federal securities laws. Employees are required to safeguard material non-public information in such employee’s possession and are prohibited from using such information to such employee’s personal benefit. Each employee must treat information belonging to clients as confidential and take care to protect such information from unauthorized access by third parties.



To avoid any potential conflict of interest involving personal transactions, CAI requires each employee to notify the Compliance department upon opening a personal account, to pre-clear personal transactions and disclose all potential conflicts of interest with regard to such a personal transaction before engaging in the transaction. Employees are also subject to a restricted list and blackout periods. In addition, access persons (defined as employees with access to non-public information regarding CAI's purchase or sale of securities and directors, officers and partners) will (i) upon starting employment, provide a complete record of his or her securities holdings to the Compliance Officer, or delegated Compliance Department, and (ii) provide quarterly reports of personal securities transactions within 30 days following the end of the quarter, unless such information has been provided through other means. All employees are required to inform the Compliance Officer of any violation of the Code of Ethics that comes to his or her notice.

A copy of CAI's Code of Ethics has been provided to any client or prospective client upon request.

### Trading Practices

*Participation and Interest in Client Transactions.* CAI has implemented policies and procedures that address affiliated transactions. Therefore, from time to time, CAI or its affiliates may effect a securities transaction between one or more Funds. In such case, one Fund will purchase securities held by another Fund. CAI effects these transactions only (i) when it deems the transaction to be in the best interests of both client accounts and (ii) at a price that CAI has determined by reference to independent market indicators, which CAI believes to constitute "best execution" for both accounts. Neither CAI nor its affiliates will receive any compensation, directly or indirectly, for arranging such a transaction. To the extent that CAI or its affiliates engage in principal agency, agency cross transactions or cross trades, such transactions will be consummated in accordance with Section 206(3) of the Advisers Act and, as applicable, Rule 206(3)-2 promulgated thereunder.

### Interest in Client Transactions

CAI may recommend securities in which it and/or its affiliates directly or indirectly have a financial interest. CAI affiliates also may buy and sell securities that CAI recommends to advisory clients for purchase and sale. CAI may give advice and take action in the performance of its duties to clients which differs from the advice given, or the timing and nature of action taken, with respect to the accounts of its affiliates and/or the accounts of other clients.

In certain instances, affiliates of CAI have acquired investments in an issuer on a side-by-side basis with an investment vehicle managed by CAI. Such investments may provide the vehicle with access to investments that it could not otherwise have obtained. However, this practice gives rise to potential conflicts of interest.

Temporary investments in which an account's assets may be invested include instruments issued, or funds managed by, an affiliate of CAI, in which case such affiliate will receive fees or other compensation in connection with such investment. Such fees will be in addition to the advisory fees and other compensation paid to CAI.

### Inside Information

CAI has adopted procedures to guard against insider trading. In the event that CAI obtains material, non-public information about an issuer, it may be prohibited from trading the issuer's securities until the information becomes public or is no longer material. CAI's investment flexibility may be constrained as a consequence of CAI's inability to use such information for investment purposes.

#### Other Conflicts of Interest

As an indirect subsidiary of Citigroup, CAI is a member of a large corporate conglomerate consisting of many affiliated entities. In addition, Citigroup has existing and potential relationships with a significant number of institutions and individuals. Affiliates of CAI engage in a broad spectrum of activities, including financial advisory activities, merchant banking, lending, arranging securitizations and other financings, sponsoring and managing private investment funds, engaging in broker-dealer activities, and other activities, and they have extensive investment activities that are independent from, and may from time to time present potential conflicts of interest with, CAI's clients. Many of these potential conflicts of interest arise in connection with the investment banking activities and other investment management activities of CAI affiliates. For example, Citigroup affiliates often represent potential purchasers and sellers in portfolio company divestitures or may pursue investments on a proprietary basis on their own behalf. In these cases, these relationships or proprietary investment activities may result in a Fund not being permitted to pursue certain investment opportunities. Accordingly, no assurances can be given that all potentially suitable investment opportunities will be offered to any given Fund. In addition, Citigroup could provide investment banking services to competitors of portfolio investments of Funds, in which case Citigroup and its affiliates will take appropriate steps to safeguard the confidential information of each client.

CAI has taken certain steps to ameliorate these potential conflicts of interest. CAI is organizationally and legally separate from and reports through different channels from the investment banking businesses of Citigroup. CAI's compensation, including that of its employees, is independent of the activities of its affiliates, although CAI has an inherent interest in the value of the Citigroup conglomerate. Information barriers have been erected that are designed to prevent the flow of non-public information between Citigroup's investment management activities, which include CAI, on the one hand, and its investment banking and direct investment activities, which include Citigroup Global Markets Inc., on the other hand.

CAI affiliates may engage in transactions with, and provide services to, portfolio companies of CAI clients. A Fund may pay investment banking fees to a CAI affiliate for providing services in connection with: (i) the acquisition, disposition or sale of companies in which the Fund invests; (ii) equity or debt financings; or (iii) other investment banking services.

An affiliate may be engaged to act as financial adviser to a company in connection with the sale of such company, or subsidiaries or divisions thereof. The compensation provided to a CAI affiliate for such activities typically will be based upon realized consideration and will likely be contingent, in substantial part, upon closing. CAI affiliates may be precluded from offering such company to any affiliated Fund or other CAI client if the seller has required the CAI affiliate to

act exclusively on its behalf. Additionally, there may be seller assignments in which the seller permits the Fund or other CAI client to act as a buyer. If an affiliated Fund or other CAI client were to be that buyer, certain conflicts of interest would be inherent in the situation, including those involved in negotiation of a purchase price.

CAI affiliates may be engaged to act as financial adviser to financially troubled companies in connection with the restructuring of their capital structures or in connection with their bankruptcy. The compensation provided to a CAI affiliate for such activities generally is based upon the successful completion of a restructuring, which may include raising funds for the purchase of existing securities or for an equity infusion. If an affiliated Fund or other CAI client is an investor in such a company, certain conflicts of interest would be inherent in the situation, including those involved in negotiation of a purchase price.

CAI affiliates, such as Citigroup Global Markets Inc., may provide advisory and other services to parties entering into transactions with entities advised by CAI. In such instances, steps will be taken to ensure that the investment decision-making process on behalf of the CAI-advised entity is insulated from any investment banking considerations.

CAI may engage in transactions on behalf of its Funds (or their subsidiaries) with, or seek services for such Funds from, affiliates or other related parties or former related parties. For example, certain affiliates of CAI or other related parties may, subject to Bank Holding Company Act and other regulatory restrictions, provide services to its funds or their subsidiaries, including debt and equity financing services, raising of equity capital for a Fund's portfolio companies, development or redevelopment services, development oversight or construction management services, interest rate hedging, foreign exchange services or hedging, brokerage services or investment banking services (including in connection with asset sales). In most instances, the Fund's governing documents will provide that CAI or its affiliates may be retained to provide (and be compensated for providing) services to a fund, such as those described in the preceding sentences or that are ancillary to the fund's investment or financing activities or are customarily provided by a service provider in connection with the acquisition, disposition, leasing, financing or management of properties, without investor or Advisory Board/Committee approval so long as such services are provided at market rates. Such fees will not be shared with the Fund for which the services are provided. A Fund may sell shares to an affiliate or other related party, generally at the then-current share price.

Certain Funds from time to time have made investments together with a CAI affiliate or investment client or other related parties, or made investments in which an affiliate or other related party was already invested or had other competing interests. Conflicts can arise even where the two entities have invested on a substantially *pari passu* basis such as with respect to the manner and timing of each party's exit from the investment; such conflicts are exacerbated if the Fund and the CAI affiliate or related party are invested in different securities, particularly where the investment experiences financial difficulties. For example, if additional funds are necessary as a result of financial or other difficulties, it may not be in the best interest of the Fund to provide such additional funds. Conversely, if an affiliate or related party would lose their respective investments as a result of such difficulties, the ability of CAI to recommend actions in the best interests of its Fund client might be impaired.

CAI or its affiliates have made a large capital commitment to various Funds and therefore may have conflicting interests in connection with any joint investments or in the event CAI or such affiliate wishes or is required to dispose of such Fund interests for regulatory or other reasons. Where there has been a co-investment by CAI or an affiliate with a Fund, because of the differentials in cost of capital and other circumstances, there can be no assurance that the return on any given fund's investment will be equivalent to or better than the returns obtained by the other related parties participating in such co-investments. Moreover, many of the CAI-sponsored Private Equity Products and Real Estate Products provided their general partners (i.e. an applicable investment team) with a "carried interest," and this may have created an incentive for the general partner to make riskier or more speculative investments on behalf of such funds than would have been the case in the absence of such arrangements. This situation may have been exacerbated where employees of CAI have an indirect interest in the carry provided to CAI.

Generally speaking, the officers and employees of CAI will devote such time as the general partners of their various Funds deem necessary to carry out the operations of the Funds. However, officers and employees of CAI are not necessarily required to devote full time to a given fund's business and they may have conflicts of interest in allocating their time between such fund and other related or unrelated activities. CAI has engaged sub-advisors to assist with the management of several of the Funds as a result of the divestitures of various business units and personnel referenced in Item 4.

Citigroup professionals were in some cases permitted to co-invest in certain investment opportunities in which a given Fund invested as a further incentive and means of aligning such professionals' interests with the interests of the Fund's investors.

Investors in CAI's various Funds include entities and persons located in various jurisdictions, who may have conflicting investment, tax and other interests with respect to their various fund investments. As a result, conflicts of interest may arise in connection with decisions made by CAI or its affiliates that may be more beneficial for one type of investor than another type of investor. CAI will follow the investment objective and standards for resolving such conflicts set forth in each of its fund's governing documents—e.g., by focusing on the pre-tax investment objectives of a fund as a whole.

In certain situations, CAI may be restricted or precluded from pursuing an investment with respect to a given property due to certain regulatory considerations arising under the Bank Holding Company Act, ERISA, section 17 of the Investment Company Act of 1940, or similar laws.

#### Procedures for Resolving Conflicts of Interest

On any issues involving actual conflicts of interest, CAI will be guided by its legal obligations, including but not limited to the contractual requirements governing such situation, as well as its good faith judgment as to a client's best interests. CAI may refer the matter to a committee designed to monitor fiduciary relationships. Subject to the applicable investment management agreement and other governing documents, CAI may take such actions as it may deem necessary or appropriate to ameliorate the conflict.

## **Item 12      Brokerage Practices**

### **Brokerage Discretion**

CAI generally is not limited in its authority to select broker-dealers for trade execution, to the extent applicable. CAI generally considers it appropriate (unless there are relevant factors such as customer direction or legal requirements or policy decisions to the contrary) to use the execution services of affiliated broker-dealers for the purchase and sale of such securities for investment advisory clients. CAI's affiliates will receive compensation in connection therewith. As discussed below in connection with unaffiliated broker-dealers, in light of all of the factors bearing upon the execution services provided by CAI's affiliated broker-dealers, the commissions charged may exceed those that other broker-dealers may charge. Any such transactions will be executed by CAI's affiliated broker-dealers only to the extent permitted by, and in compliance with, applicable law and regulations, including Section 11(a) of the Securities Exchange Act of 1934.

Clients may direct CAI not to execute securities transactions through its affiliated broker-dealers. CAI also may accept instructions from a client to direct specific amounts of brokerage to particular broker-dealers in connection with services rendered by those broker-dealers directly to the client. In either case, the client may pay higher commissions than if CAI selected the broker-dealer and negotiated the commission rates.

In selecting an unaffiliated broker-dealer for trade execution, CAI uses its best judgment to select a broker-dealer that provides prompt and reliable execution at favorable securities prices and reasonable commission rates. Ordinarily, the best net price, giving effect to brokerage commissions and other costs, is the determining factor, but a number of other factors also may enter into the decision. These factors may include: the nature of the security being traded; the size and complexity of the transaction; the desired timing of the transaction; the existing and expected activity in the market for particular securities; confidentiality; and the execution, clearance, and settlement capabilities and financial condition and other relevant and appropriate services of the broker-dealer.

### **Research and Other Soft Dollar Arrangements**

CAI does not utilize client's agency commission dollars to purchase research and other services (i.e., soft dollars).

## **Item 13      Review of Accounts**

### **Review of Accounts**

*Private Equity Products:* Private Equity Investment Funds typically hold annual meetings with investors to review and discuss the funds' investment activities and portfolio. Valuation committee meetings are held quarterly to review the valuation of underlying investments.

*Real Estate Products:* Management of CAI's real estate business has been transferred to a third-party. However, the anticipated occurrence of certain significant matters triggers a review by CAI before such matter is consummated.

### **Client Reports**

*Private Equity Fund Products:* CAI provides each Fund's general partner or managing member with periodic reports concerning the Fund's investments. While the Funds' underlying investors are not advisory clients of CAI and will not receive periodic reports from CAI as advisory clients, such investors will be provided by the Funds with annual audited financial statements of the applicable fund and periodic investor reports. In connection with certain Funds, CAI has engaged a third party to serve as sub-advisor to CAI. The sub-advisor generally works with CAI and certain CAI affiliates to prepare and deliver quarterly investor reports.

*Real Estate Funds:* As part of the transfer of the management of CAI's former real estate business, CAI has engaged a third-party to serve as a sub-advisor to CAI. The sub-advisor works with certain CAI affiliates to prepare and deliver quarterly investor reports.

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

CAI does not receive any economic benefits from non-clients for providing investment advice or other advisory services to clients.

CAI historically entered into agreements with its employees, and/or third parties to solicit clients for CAI's investment advisory services. Under such agreements, persons could refer or solicit clients and receive compensation for such services. The structure of any such agreement with a third party, including the compensation payable to the solicitor, has been disclosed fully to the client as required by applicable law. Different solicitors, including affiliates, received varying amounts of compensation for their services.

CAI also may have entered into agreements to refer clients to its affiliates. Under such arrangements, CAI would have received compensation for such referrals.

#### **Item 15 Custody**

CAI does not provide custodial services to its clients. Client assets are held with banks, registered broker-dealers, or other qualified custodians.

CAI will cause its Funds and any related special purposes vehicles to maintain their funds and securities with a qualified custodian, which includes a U.S. bank, an SEC-registered broker-dealer, a CFTC-registered futures commission merchant, and a foreign financial institution that segregates client assets.

In addition, each Fund or special purpose vehicle is required to be audited at least annually and to provide audited financial statements to its investors within 120 days after the end of its fiscal year, or 180 days in the case of funds of funds. (Otherwise, the relevant fund custodian will send each such fund investor a quarterly account statement showing such fund's quarter-end positions and NAV, and the fund's aggregate account transactions during the quarter. In addition, a surprise examination of the relevant fund will be conducted by a qualified independent accountant.)

#### **Item 16 Investment Discretion**

CAI has the authority to determine, without obtaining specific client consent, the investments and temporary investments a Fund will acquire, subject in each case to the limitations and restrictions described in the Funds' offering materials and governing documents and their investment advisory agreements. A Fund may receive distributions from an Underlying Fund or portfolio company in

kind in the form of securities of portfolio companies, some of which may be illiquid or restricted securities. With respect to such distributions, CAI may have the discretion to sell such securities and distribute the cash proceeds, distribute such securities in kind or offer the relevant Fund's investors the option, subject to CAI's consent, either to receive the securities in kind or have the Fund sell them and distribute the cash proceeds. While CAI will use reasonable efforts in such instances to sell or to distribute marketable securities promptly, investors will bear any associated costs or market risks during the disposition process.

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

CAI has been delegated the authority to vote investment proxies on behalf of certain of its clients and has adopted written policies that are reasonably designed to ensure proxies are voted in the best interest of its clients and to resolve conflicts of interest (the "Policies"). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, in a manner that serves the best interests of client accounts, as determined by CAI in its discretion. Clients may request a copy of the Policies and the proxy voting record relating to their account by contacting CAI.

#### **Item 18      Financial Information**

All client fees owed to CAI are either paid in arrears or paid less than six months in advance. Under relevant SEC rules, this means that CAI is not required to disclose information about its financial position or balance sheets. Nonetheless, we confirm that we believe that CAI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.