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I. Introduction to Alternative Investments

- The name "alternative investments" suggests new and obscure investments, however alternative investments have existed and been established for decades
  - Hedge Funds (1949)*, Modern Venture Capital (1946)**, Real Estate (centuries old)

- Alternative investments often share a few principal characteristics that help identify them as such:
  - Historically low to moderate correlation with traditional asset classes (stocks and bonds)***
  - Not listed on an exchange
  - Private investment funds available only to high net worth and institutional investors
  - Reduced liquidity

I. Major Alternative Asset Classes*

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>Negotiated private investments in (most often) non-public companies at different stages of maturity with the objective of reselling at a higher price in the future</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>Investment funds investing primarily in the global equity and fixed income markets and typically employing sophisticated trading strategies, using leverage and derivative instruments</td>
</tr>
<tr>
<td>Fund of Funds</td>
<td>Actively managed portfolios of hedge funds and other alternative investments products</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Negotiated private investments in real estate assets with the objective of generating current income and/or reselling at a higher value in the future</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>Investments in global markets including futures, options and forwards on traditional commodities, financial instruments and currencies</td>
</tr>
</tbody>
</table>

*Please see the Appendix for Risk Considerations.
## I. Alternative Investments Differ From Traditional Investments

<table>
<thead>
<tr>
<th>Traditional Investments</th>
<th>Alternative Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative performance objective*</td>
<td>Absolute performance objective*</td>
</tr>
<tr>
<td>Generally no leverage</td>
<td>May use leverage</td>
</tr>
<tr>
<td>Performance dependent primarily on market returns</td>
<td>Performance dependent primarily on advisor skill</td>
</tr>
<tr>
<td>Historically high correlation with market indices</td>
<td>Historically low to moderate correlation with market indices</td>
</tr>
<tr>
<td>Typically offers daily liquidity</td>
<td>Typically have reduced liquidity ranging from monthly to 12+ year lock-ups</td>
</tr>
<tr>
<td>Fixed management fee on assets under management</td>
<td>Generally higher fees which may include performance fees</td>
</tr>
</tbody>
</table>

*There is no guarantee that these objectives will be met. Please see the Glossary for key definitions and Appendix for Risk Considerations.*
I. Large College Endowments Are Heavily Invested In Alternatives

Portfolio Allocations for Fiscal Years 2009 and 2010

<table>
<thead>
<tr>
<th></th>
<th>Total Institutions</th>
<th>Over $1 Billion</th>
<th>$501 Million - $1 Billion</th>
<th>$101 - $500 Million</th>
<th>$51 - $100 Million</th>
<th>$25 - $50 Million</th>
<th>Under $25 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Institutions</td>
<td>842</td>
<td>850</td>
<td>52</td>
<td>60</td>
<td>60</td>
<td>66</td>
<td>219</td>
</tr>
<tr>
<td>Asset Class</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional</td>
<td>49%</td>
<td>48%</td>
<td>39%</td>
<td>40%</td>
<td>57%</td>
<td>55%</td>
<td>67%</td>
</tr>
<tr>
<td>Alternative Strategies</td>
<td>51%</td>
<td>52%</td>
<td>61%</td>
<td>60%</td>
<td>43%</td>
<td>45%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Average Five- and 10-Year Net Returns for Fiscal Years 2009 and 2010

<table>
<thead>
<tr>
<th></th>
<th>Total Institutions</th>
<th>Over $1 Billion</th>
<th>$501 Million - $1 Billion</th>
<th>$101 - $500 Million</th>
<th>$51 - $100 Million</th>
<th>$25 - $50 Million</th>
<th>Under $25 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Institutions</td>
<td>842</td>
<td>850</td>
<td>52</td>
<td>60</td>
<td>60</td>
<td>66</td>
<td>219</td>
</tr>
<tr>
<td>5-Year Net Return</td>
<td>2.7%</td>
<td>3.0%</td>
<td>5.1%</td>
<td>4.7%</td>
<td>3.5%</td>
<td>3.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>10-Year Net Return</td>
<td>4.0%</td>
<td>3.4%</td>
<td>6.1%</td>
<td>5.0%</td>
<td>4.3%</td>
<td>3.6%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Source: National Association of College and University Business Officers (NACUBO) 2010 study of 850 institutions published January 2011. Portfolio returns are based on data ending June 30, 2010. This study does not indicate the percentage of portfolio returns attributable to the allocation to alternatives. Note: The larger the endowment, the better the ability to diversify. Past performance does not guarantee future results. Real results may vary. Traditional Strategies include Equity, Fixed Income and Cash. Alternatives Strategies include Real Estate, Hedge Funds, Private Equity, Venture Capital, Natural Resources and Other.

For Illustrative Purposes Only
I. Some Recognized Academic Leaders Have Been Significantly Invested in Alternatives

Strategic Asset Allocations

<table>
<thead>
<tr>
<th></th>
<th>Fixed Income</th>
<th>Equities</th>
<th>Private Equity</th>
<th>Hedge Funds</th>
<th>Real Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanford  (2010)</td>
<td>26%</td>
<td>20%</td>
<td>26%</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Yale (2009)</td>
<td>32%</td>
<td>24%</td>
<td>24%</td>
<td>16%</td>
<td>33%</td>
</tr>
<tr>
<td>Harvard (2010)</td>
<td>23%</td>
<td>17%</td>
<td>13%</td>
<td>33%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: The allocations represented here are for illustrative purposes only. Alternative investments are not suitable for all investors.

II. Hedge Funds

What is a Hedge Fund?

- Hedge Funds are not new – they have been in existence for over 50 years

- Typically, Hedge Funds seek an absolute return*
  - Unlike traditional vehicles, which manage to a relative benchmark

- Primarily invest in publicly-traded securities
  - Stocks/Bonds/Commodities/Currencies

- Employ return enhancement tools such as leverage and derivatives, which typically also involve greater risk

- Typically treated as a limited partnership for tax purposes for U.S. taxable investors and as a corporation domiciled in a low-tax/no-tax jurisdiction for U.S. tax-exempt investors and non-U.S. persons

*There is no guarantee that this objective will be met.
II. Hedge Fund Managers Seek Flexibility

A manager's ability to generate alpha* is primarily based on its investment strategy.

These strategies will often utilize:

- Leverage
- Short-selling
- Derivatives
- Illiquid securities

These tools, strategies and securities are used by hedge fund managers with the objective of enhancing returns and reducing risks, however they also increase the risk of losses.

* Please see Glossary for key definitions and Appendix for Risk Considerations.
II. How Traditional Portfolios may benefit from Hedge Fund Allocations

Hypothetical Portfolio Allocations Using Index Returns
January 1991 – December 2010

U.S. Stocks represented by the S&P 500 Index; Bonds represented by the Barclays Aggregate Bond Index; Hedge Funds represented by the HFRI Fund Weighted Composite Index. Sourced from PerTrac Financial Solutions, LLC (Memphis, TN). Indices are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Indices of hedge funds have material inherent limitations. Reference the Appendix for index descriptions and key definitions. This information is for ILLUSTRATIVE PURPOSES ONLY and is not intended to represent the performance of any specific investment. Past performance is no guarantee of future results.
II. Hedge Fund Risk Return Comparison (January 1990 to December 2010)

*Source: HFR Global Hedge Fund Industry Report – Year End 2010, Bloomberg, PerTrac. Past performance does not guarantee future results. Real results may vary. Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Data point descriptions are on the following page. Please see Appendix for index descriptions and key definitions.

For Illustrative Purposes Only
## II. Hedge Fund Risk Return Comparison: List of indices used

<table>
<thead>
<tr>
<th>Category</th>
<th>Index/Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>S&amp;P 500</td>
</tr>
<tr>
<td>Global Equity</td>
<td>MSCI EAFE USD</td>
</tr>
<tr>
<td>U.S. Bonds</td>
<td>Barclays Aggregate Bond Index</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>Barclay CTA Index</td>
</tr>
<tr>
<td>Real Estate</td>
<td>FTSE Nareit Composite</td>
</tr>
<tr>
<td>Equity Market Neutral</td>
<td>HFRI EH: Equity Market Neutral Index</td>
</tr>
<tr>
<td>Event Driven</td>
<td>HFRI Event-Driven (Total) Index</td>
</tr>
<tr>
<td>Distressed</td>
<td>HFRI ED: Distressed/Restructuring Index</td>
</tr>
<tr>
<td>Merger Arbitrage</td>
<td>HFRI ED: Merger Arbitrage Index</td>
</tr>
<tr>
<td>Macro</td>
<td>HFRI Macro (Total) Index</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>HFRI Equity Hedge (Total) Index</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>HFRI Fund Weighted Composite Index</td>
</tr>
<tr>
<td>Fund of Funds</td>
<td>HFRI Fund of Funds Composite Index</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>HFRI Emerging Markets (Total) Index</td>
</tr>
<tr>
<td>Emerging Markets ex-Asia</td>
<td>HFRI Emerging Markets: Asia ex-Japan Index</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>HFRI RV: Fixed Income-Corporate Index</td>
</tr>
<tr>
<td>Relative Value</td>
<td>HFRI Relative Value (Total) Index</td>
</tr>
<tr>
<td>Convertible Arbitrage</td>
<td>HFRI RV: Fixed Income-Convertible Arbitrage Index</td>
</tr>
</tbody>
</table>

*Source: HFR Global Hedge Fund Industry Report – Year End 2010, Bloomberg, PerTrac. Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Please see Appendix for index descriptions and key definitions.

<table>
<thead>
<tr>
<th>Year</th>
<th>S&amp;P 500</th>
<th>HFRI Emerging Markets</th>
<th>HFRI Event-Driven</th>
<th>HFRI Relative Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>28.59%</td>
<td>55.86%</td>
<td>18.02%</td>
<td>13.7%</td>
</tr>
<tr>
<td>1999</td>
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<td>2000</td>
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<td>2009</td>
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<tr>
<td>2010</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Hedge Fund Research, Inc. Note: The colored square at the top of the page represents the strategy that delivered the best performance for that year. The other strategies are shown in descending order of performance results. Past performance does not guarantee future results. Real results may vary. Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment.
III. Fund of Hedge Funds

Fund of Hedge Funds Characteristics

- Invests in multiple hedge fund strategies while circumventing single manager concentration risk
- Diversification across different strategies, managers, and investment styles
- Low correlation with traditional securities markets
- An additional layer of fees for professional investment allocation
- Business risk and operations due diligence
- Ongoing monitoring and risk management
- Potential to access closed and/or exclusive managers

Hypothetical Fund of Hedge Fund Allocation

- Professional management
- Manager sourcing
- Rigorous due diligence
- Portfolio construction
- On-going monitoring
- Diversified across multiple managers/strategies
- Allocations are rebalanced according to a targeted risk budget

1 The hypothetical allocations above are for illustrative purposes and do not represent the allocations of a specific investment. Reference the Glossary for strategy descriptions and key definitions. Please see the Appendix for Risk Considerations.
III. Rationale for Professional Hedge Fund Selection

Hedge funds offer many appealing characteristics to investors. At the same time, there are certain attributes of hedge funds that require careful consideration and assessment that should be conducted by highly skilled professionals following a detailed research process.

Fund of hedge fund managers are uniquely specialized and resourced to evaluate and select quality hedge funds for the purpose of constructing a portfolio of hedge fund strategies. See the below table for certain hedge fund characteristics and considerations.

<table>
<thead>
<tr>
<th>Hedge Fund Characteristic</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment flexibility</td>
<td>Hedge funds allow for the use of trading strategies such as short selling, options and other derivative instruments, as well as hedging techniques and use of leverage, which, while potentially increases investment returns, can be highly volatile and increase an investor's risk of investment loss. Significant investment expertise and experience is often required to perform a meaningful fund evaluation.</td>
</tr>
<tr>
<td>Ability to be opportunistic in changing market environments</td>
<td>Hedge fund managers can exercise their judgment without most traditional constraints, making it challenging to evaluate and forecast investment risk.</td>
</tr>
</tbody>
</table>
| Intended to generate alpha or excess return delivered by an investment manager | Alpha* identification is difficult due to:  
- Complexity of trading strategies,  
- Reduced transparency,  
- Valuation challenges,  
- Changing strategies and changing conditions.                                                                                           |
| Exclusive access                                   | Hedge funds often have high investment minimums and at times may be inaccessible due to limited capacity.                                                                                                      |

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund’s offering materials, including the private placement memorandum or prospectus. Please see the Glossary for key definitions and Appendix for Risk Considerations.
III. The Emergence of Registered Funds of Hedge Funds

Registered funds of hedge funds have recently gained more visibility to investors looking to invest in alternative investments. Registered funds are registered as an investment company under the Investment Company Act of 1940 and offer some unique benefits to investors when compared to non-registered funds:

- They generally offer lower investment minimums
- No limit to the number of investors in the fund
- They can be sold to a much broader range of investors
- Registration generally means there is increased transparency when compared to unregistered funds
- Registered funds of hedge funds still use similar investment strategies as traditional hedge fund strategies

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund’s offering materials, including the private placement memorandum or prospectus. Please see the Glossary for key definitions and Appendix for Risk Considerations.
III. Funds of Hedge Funds Performance compared to Large Cap Equities

Index Growth Comparison
Monthly Cumulative Rate of Return
January 1, 2000 - December 31, 2010

Funds of Hedge Funds: HFRI Fund of Funds Composite Index, source: Hedge Fund Research, Inc. U.S. Large Cap Equity: S&P 500 Index with the reinvestment of dividends, source: Bloomberg. The HFRI Fund Weighted Index is net of fees and expenses. Indexes are unmanaged and investors cannot directly invest in them. The composite index results above are for illustrative purposes and do not represent the performance of a specific investment. Volatility as measured by annual standard deviation. Past performance is no guarantee of future results. Reference the Appendix for index descriptions and disclosures.
IV. Managed Futures

What are Managed Futures?

» An alternative investment vehicle

» Limited liability investment vehicles that trade futures, forwards and options on futures and forwards

» Use professional portfolio management

» Offer potential global market exposure through a single investment vehicle

» Assets allocated to professional trading managers called Commodity Trading Advisors (“CTAs”)

What is a CTA?

» A professional trading manager who manages customer money in the futures, forwards, and options markets

» CTAs use tested trading methods and money management techniques in their attempt to achieve profits and control risk

Please see Appendix for Risk Considerations.
IV. Markets Traded

Not all markets are traded in any given Morgan Stanley Smith Barney managed futures funds. Markets traded may include, but are not limited to:

<table>
<thead>
<tr>
<th>Stock Indices</th>
<th>Interest Rates</th>
<th>Foreign Exchange</th>
<th>Agriculturals</th>
<th>Metals</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEX</td>
<td>Australian Bank Bill</td>
<td>Australian dollar</td>
<td>Barley</td>
<td>Aluminum</td>
</tr>
<tr>
<td>All Share</td>
<td>Australian Treasury Bonds</td>
<td>Brazilian real</td>
<td>Cocoa</td>
<td>Copper</td>
</tr>
<tr>
<td>CAC 40</td>
<td>British Long Gilt</td>
<td>British pound</td>
<td>Coffee</td>
<td>Gold</td>
</tr>
<tr>
<td>DAX</td>
<td>British Short Sterling</td>
<td>Canadian dollar</td>
<td>Corn</td>
<td>Lead</td>
</tr>
<tr>
<td>Dow 30</td>
<td>Canadian Bankers Acceptances</td>
<td>Chilean peso</td>
<td>Cotton</td>
<td>Nickel</td>
</tr>
<tr>
<td>FTSE 100</td>
<td>Canadian Government Bond</td>
<td>Chinese Yuan</td>
<td>Feeder cattle</td>
<td>Palladium</td>
</tr>
<tr>
<td>Euro Stoxx 50</td>
<td>Euribor</td>
<td>Colombian peso</td>
<td>Lean hogs</td>
<td>Platinum</td>
</tr>
<tr>
<td>Euro Stoxx 600</td>
<td>Eurodollar</td>
<td>Czech koruna</td>
<td>Live cattle</td>
<td>Silver</td>
</tr>
<tr>
<td>H-Shares</td>
<td>European Bonds</td>
<td>Euro</td>
<td>Lumber</td>
<td>Tin</td>
</tr>
<tr>
<td>Hang Seng</td>
<td>Euryen</td>
<td>Hong Kong dollar</td>
<td>Milk</td>
<td>Zinc</td>
</tr>
<tr>
<td>IBEX 35</td>
<td>Japanese Government Bond</td>
<td>Hungarian forint</td>
<td>Oats</td>
<td></td>
</tr>
<tr>
<td>MIB 30</td>
<td>Muni Bond Index</td>
<td>Indian rupee</td>
<td>Orange juice</td>
<td></td>
</tr>
<tr>
<td>NASDAQ 100</td>
<td>New Zealand Bill</td>
<td>Israeli shekel</td>
<td>Pork bellies</td>
<td></td>
</tr>
<tr>
<td>Nikkei 225</td>
<td>Swapnotes</td>
<td>Japanese yen</td>
<td>Rapeseed</td>
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</tr>
<tr>
<td>NYSE Composite</td>
<td>Swiss Government Bond</td>
<td>Korean won</td>
<td>Rough rice</td>
<td></td>
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<tr>
<td>OMX 30</td>
<td>U.S. Treasury Bond</td>
<td>Mexican peso</td>
<td>Rubber</td>
<td></td>
</tr>
<tr>
<td>Russell 2000</td>
<td>U.S. Treasury Notes</td>
<td>New Zealand dollar</td>
<td>Soybean meal</td>
<td></td>
</tr>
<tr>
<td>S&amp;P Canada 60</td>
<td></td>
<td>Norwegian krone</td>
<td>Soybean oil</td>
<td></td>
</tr>
<tr>
<td>S&amp;P/MIB</td>
<td></td>
<td>Philippine peso</td>
<td>Soybeans</td>
<td></td>
</tr>
<tr>
<td>S&amp;P Midcap</td>
<td></td>
<td>Polish zloty</td>
<td>Sugar</td>
<td></td>
</tr>
<tr>
<td>S&amp;P Nifty</td>
<td></td>
<td>Russian ruble</td>
<td>Wheat</td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td></td>
<td>Singapore dollar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore Free</td>
<td></td>
<td>South African rand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPI 200</td>
<td></td>
<td>Swedish krona</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td></td>
<td>Swiss franc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topix</td>
<td></td>
<td>Taiwan dollar</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Turkish lira</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>U.S. dollar</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Agriculturals

Barley
Cocoa
Coffee
Corn
Cotton
Feeder cattle
Lean hogs
Live cattle
Lumber
Milk
Oats
Orange juice
Pork bellies
Rapeseed
Rough rice
Rubber
Soybean meal
Soybean oil
Soybeans
Sugar
Wheat

Metals

Aluminum
Copper
Gold
Lead
Nickel
Palladium
Platinum
Silver
Tin
Zinc

Energies

Brent crude oil
Crude oil
Gas oil
Gasoline
Heating oil
Kerosene
Natural gas

For Illustrative Purposes Only
IV. Managed Futures vs. Stocks

Since 1980, stocks have declined more than 10% on six occasions, with an average decline of 28.6% on these occasions. Managed futures has had an average rate of return of 18.6% during those six periods.

Data: January 1980 – December 2010. Monthly returns for the S&P 500 Index provided by PerTrac Financial Solutions, LLC (Memphis, TN) and monthly returns for the Barclay CTA Index provided by Barclay Hedge, Ltd. (Fairfield, IA). Managed futures investments do not replace equities or bonds but rather act as a complement to help in potentially smoothing overall portfolio returns. Monthly returns for the Barclay CTA Index reflect the composite fee structure of the representative commodity trading advisors, and therefore, may be higher or lower than those fees applicable to any one particular managed futures fund. Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Please see Appendix for Index descriptions.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.
IV. Annualized Return of Managed Futures vs. Stocks  
(January 1980 – December 2010)

<table>
<thead>
<tr>
<th>Jan-1980 to Dec-2010</th>
<th>U.S. Stocks</th>
<th>U.S. Bonds</th>
<th>International Stocks</th>
<th>Managed Futures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Return</td>
<td>11.4%</td>
<td>8.7%</td>
<td>10.1%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Annualized Standard Deviation</td>
<td>15.6%</td>
<td>5.8%</td>
<td>17.8%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Worst Draw Down</td>
<td>-51.0%</td>
<td>-9.0%</td>
<td>-56.4%</td>
<td>-15.7%</td>
</tr>
<tr>
<td>Best /Worst 12 Month Return</td>
<td>61.2% / -43.3%</td>
<td>35.2% / -5.1%</td>
<td>103.7% / -49.9%</td>
<td>63.7% / -7.9%</td>
</tr>
<tr>
<td>% Positive 12 Month Periods</td>
<td>78.1%</td>
<td>94.5%</td>
<td>71.5%</td>
<td>87.0%</td>
</tr>
<tr>
<td>Return / Risk</td>
<td>0.73</td>
<td>1.51</td>
<td>0.57</td>
<td>0.76</td>
</tr>
</tbody>
</table>

In the performance table above, average annual return is based on annualized compounding of monthly returns. The standard deviation statistic measures the dispersion of monthly returns about the mean and is used to represent the volatility or risk. The worst drawdown is the largest percentage loss incurred from the highest value to its lowest value for the given time period. The Return/Risk statistic is related to the Sharpe Ratio, return divided by the standard deviation and is unadjusted for the risk-free Treasury Bill rate. Statistical comparisons on a 12-month holding period basis are based on monthly data from January 1980 through December 2010, producing 355 observations. Sources: U.S. Stocks (S&P 500 Index), U.S. Bonds (Barclays Aggregate Bond Index), International Stocks (MSCI EAFE Index)—PerTrac Financial Solutions, LLC (Memphis, TN); Managed Futures (Barclay CTA Index)—Barclay Hedge, Ltd. (Fairfield, IA). Monthly returns for the Barclay CTA Index reflect the composite fee structure of the representative commodity trading advisors, and therefore, may be higher or lower than those fees applicable to any one particular managed futures fund. Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Please see Appendix for index descriptions.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.
V. Private Equity

- Private equity can be broadly defined as privately negotiated investments in (most often) non-public companies.

- Private equity managers are stand-alone, fully integrated organizations that may take an active role in a company's management seeking to create value and exit profitably.

![Diagram showing stages of private equity investment: Seed/Startup, Development, Expansion, Buyout, Restructuring.](image)

- VENTURE CAPITAL ("VC")
- LEVERAGED BUYOUTS ("LBO")
- MEZZANINE
- DISTRESSED DEBT
V. Private Equity: Typical Roles and Responsibilities

Limited Partners
- Typically contribute 95-99% of the fund’s capital
- Typically receive a preferred return (8% - 10%) and 80% of the profits
- Co-invest with GPs in specific deals (optional)

General Partner/Sponsor
- Identify and screen opportunities
- Structure deals
- Active board membership & participation
- Manage the investment
- Earn management fees (approximately 1% - 2%) and a "carried interest", typically 20% of the profits
- Generally contribute 1% to 5% of the capital

Entrepreneurs
Operators
Companies
- Venture idea
- Attempt to build the business
- Manage operations
- Own stake in the business

For Illustrative Purposes Only
V. Potential Advantages Of Private Equity Investing

Opportunity
- Access to companies not typically accessible via traditional public markets, however these companies are typically less tested than their publicly-traded counterparts
- Potentially lower valuations due, in part, to reduced liquidity, however reduced liquidity limits the opportunity to exit a troubled investment

Access To Information
- Detailed due diligence and analysis
- Direct contact/interactions with management and customers

Potential For Control
- Active role on boards provides ability to influence strategy/change management
- Private and public sale options controlled by investors
- Structured to attempt to mitigate risk (e.g., liquidation preferences, ratchets)

Ongoing Involvement
- Private equity firms' financial interest tied to successful investing
- Value-added operating expertise

Long-term Return and Diversification Potential
- Historically, enhanced return versus the public market
- Historically, lower correlation with major market indices

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund’s offering materials, including the private placement memorandum or prospectus. Please see the Glossary for key definitions and Appendix for Risk Considerations. Past performance does not guarantee future results. Real results may vary.
### VI. Real Estate

Benefits to Real Estate investing when compared to traditional investments.

<table>
<thead>
<tr>
<th>Traditional Investments</th>
<th>Real Estate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Relative performance objective*</td>
<td>• Internal Rate of Return objective*</td>
</tr>
<tr>
<td>• No leverage</td>
<td>• Leverage (typically 0 to 75%)</td>
</tr>
<tr>
<td>• Historically, high correlation with market indices</td>
<td>• Historically, low correlation with market indices</td>
</tr>
<tr>
<td>• More volatility than real estate, even during periods of out performance</td>
<td>• Less volatility compared to equities and fixed income</td>
</tr>
<tr>
<td>• Financial asset</td>
<td>• Physical asset</td>
</tr>
<tr>
<td>• Highly liquid</td>
<td>• Relatively illiquid</td>
</tr>
<tr>
<td>• Historically vulnerable to inflation</td>
<td>• Potential inflation hedge</td>
</tr>
</tbody>
</table>

*There is no guarantee that these objectives will be met.

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund’s offering materials, including the private placement memorandum or prospectus. Please see the Glossary for key definitions and Appendix for Risk Considerations.
VI. Various Real Estate Products Offer A Spectrum Of Risk/Return Options

Lower Risk/Lower Return Potential
- Core, unleveraged properties in a commingled real estate fund
- Diversified across property types

Moderate Risk/Return Potential
- Value added properties in a commingled real estate fund with leverage

Moderate Return/Higher Risk Potential
- REITs (Real Estate Investment Trusts)

High Risk/High Return Potential
- Opportunity fund investments with high leverage 65%-85%
- Speculative development (highest risk)

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund’s offering materials, including the private placement memorandum or prospectus. Please see the Glossary for key definitions and Appendix for Risk Considerations.
VI. Why Invest in Commercial Real Estate (“CRE”)

» U.S. real estate is a huge asset class – over $4.0 trillion as the second quarter of 2010*

» Provides diversification to traditional investments

» Generally less volatility compared to traditional investments

» Historically lower correlation with equity and bond markets

» Potential for risk-adjusted returns – especially given current global credit crisis

» Potential inflation hedge

Some Risk Considerations (please refer to the Appendix for a more complete description)

» Real Estate Ownership: fluctuations and cycles in value and market conditions may result in reductions in the value and the income associated with real property interests

» Real Estate investments may use leverage

» Interest Rate Risk

» Illiquid Investments

» Competition for Investments


Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund’s offering materials, including the private placement memorandum or prospectus. Past performance does not guarantee future results. Real results may vary. Please see Appendix for Risk Considerations.
VII. Exchange Funds

» Private placement vehicles enabling holders of concentrated single-stock positions to exchange those stocks for a diversified portfolio
  » Typically comprised largely of equities, exchange funds may also include other qualifying assets such as real estate or commodities

» Investors may benefit from:
  » Greater diversification by exchanging a concentrated stock position for fund shares without triggering a taxable event

Considerations

» Dividends are pooled
» Investors forfeit their stock voting rights
» Investment may be illiquid for several years
» Investments may be leveraged or contain derivatives
» Significant early redemption fees may apply
» Changes to the U.S. tax code which could be retroactive (potentially disallowing the favorable tax treatment of exchange funds)
» Investment risk and potential loss of principal

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund’s offering materials, including the private placement memorandum or prospectus. Please see the Appendix for Risk Considerations.
Risk Considerations

Investing in Alternative Investments can involve a high degree of risk. These are speculative securities. Diversification does not eliminate market risks. Before you decide to invest, read the entire prospectus carefully.

Alternative Investments

Valuation Risk Certain alternative investment funds often trade in esoteric and/or illiquid securities. In normal markets it is sometimes difficult to price these instruments, causing managers to estimate market values. In stressed markets this problem may be magnified, leaving investors with an imprecise understanding of a portfolio’s Net Asset Value. Valuations for investments for which market quotations are not available may at times be estimates, which may affect the amount of the management and incentive fees.

Specialized Trading Special investment techniques such as leveraging, short-selling and investing in derivatives, including options and futures, may result in significant losses.

Manager Risk Investing in a fund exposes investors to risks particular to that fund manager. These risks can include poor decision making, key personnel departures or fraud, among others. In the case of a fund of funds, although the Investment Manager selects managers it believes are prudent and reliable, managers could perform poorly or reach capacity.

Liquidity Risk Interests in certain alternative investment funds are generally not readily marketable and not redeemable. Interests in a fund generally are not transferable except in limited circumstances. Accordingly investors have to bear the risks of investing for the full duration of the lock-up period.

Investment Process/Model Risk The Investment Manager’s investment process may be heavily dependent on the Investment Manager’s analysis of historical data. No assurance can be given that these analyses will accurately predict future results.

Market Risk The value of securities, commodities, and currencies may fluctuate reflecting a variety of factors, including changes in investor outlook and political and economic environments.

Strategy Risk Investments in diverse and sometimes complex strategies are affected in different ways and at different times by changing market conditions. Strategies may at times be out of market favor for considerable periods, with adverse consequences for the portfolio.

Incentive Compensation Managers will, in general, receive performance compensation, which may give the managers incentives to make investments that carry greater risk or more speculative than might be the case if no performance compensation were paid.

Hedge Funds

Specialized Trading Special investment techniques such as leveraging, short-selling and investing in derivatives, including options and futures, may result in significant losses.

Market Risk The value of securities, commodities, and currencies may fluctuate reflecting a variety of factors, including changes in investor outlook and political and economic environments.

Strategy Risk Hedge Funds trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may at times be out of market favor for considerable periods, with adverse consequences for the portfolio.

Manager Risk Although Citigroup Alternative Investments selects advisors it believes are prudent and reliable, advisors could perform poorly or reach capacity.

Incentive Compensation Managers will, in general, receive performance compensation, which may give the managers incentives to make investments that carry more risk or more speculative than might be the case if no performance compensation were paid.

Liquidity Risk Funds of Hedge Funds may have limited redemption dates. Underlying advisors may also have lock-up periods and infrequent redemption dates, thereby limiting the Investment Manager’s ability to reallocate assets as market and advisor performance change.
VIII. Appendix

Valuation Risk Hedge Funds may trade in esoteric securities, often in illiquid markets. In normal markets it is sometimes difficult to price these instruments, causing managers to estimate market values. In stressed markets this problem may be compounded, leaving investors with an imprecise understanding of the NAV of a multi-strategy portfolio. Valuations for investments for which market quotations are not available may at times be estimates, which may affect the amount of the Management and Incentive Fees.

Conflicts of Interest Citi Alternative Investments is an indirect wholly-owned subsidiary of Citigroup, and some or all Placement Agents and the Administrator also are affiliates of Citigroup and Citi Alternative Investments. Certain conflicts of interest may arise within the Citigroup organization.

Investment Process Risk Citi Alternative Investments' strategy allocation methodology is heavily dependent on its analysis of historical data and, in particular, statistical volatility, return, and correlation characteristics. No assurance can be given that the financial parameters will accurately predict future characteristics.

Reliance on Industry Data For purposes of its analysis, Citi Alternative Investments utilizes indices compiled by Hedge Fund Research, Inc. (“HFR”) based on information from the hedge funds that it tracks. The information underlying the indices and the classification of the underlying funds have not been independently verified by either HFR or Citigroup, neither of which make any representations as to their accuracy.

Managed Futures

Leverage Trading of commodity interests is speculative, volatile and involves a high degree of leverage. A small change in the market price of a contract can produce major losses for the Fund. You could lose all of your investment. Leverage is inherent in futures trading. In order to enter into a futures contract, a trader needs to post with the exchange only a small security deposit, or 'margin', sufficient to cover any daily fluctuations in the value of the positions, which is adjusted daily to account for changes in value. The low initial outlay, typically ranging from about 5% to 20% of the value of the contract, allows the investor continued use of most of his capital for the duration of the contract, while at the same time controlling positions with much greater value than the initial amount invested. This inherent leverage amplifies the effect of price fluctuations, creating greater gains and losses, as a percent of the actual amount invested and resulting in increased volatility.

Fees & Expenses Regardless of trading performance, the Funds will incur fees and expenses, including brokerage and management fees. Substantial incentive fees may be paid to one or more trading advisors even if the Fund experiences a net loss for the full year.

Lack of Liquidity Your ability to redeem units is limited. In many cases, you may only redeem units after an initial three-month holding period and then only on a monthly basis.

Conflicts of Interest The Funds may be subject to conflicts of interest: the general partner and broker may be affiliates, each of the trading advisors, the commodity broker and their principals and affiliates may trade in commodity interests for their own accounts; and your Smith Barney financial consultant will receive ongoing compensation for providing services to your account.

Diversification Benefit is Uncertain The Funds will not provide any benefit of diversification of your overall portfolio unless it is profitable and produces returns that are independent from stock and bond market returns.

Strategy Risk The advisors' trading strategies may not perform as they have performed in the past. The advisors have from time to time incurred substantial losses in trading on behalf of clients.

Taxation You will be taxed on your share of each Fund's income, even though the Fund does not intend to make any distributions.

Manager Risk The general partner at any time may select and allocate the Fund's assets to advisors that are not described in the prospectus. You may not be advised of such changes in advance. You must rely on the ability of the general partner to select advisors and allocate assets among them.

Lack of Liquidity Your ability to redeem units is limited. In many cases, you may only redeem units after an initial three-month holding period and then only on a monthly basis.
VIII. Appendix

**Competition for Investments** Results depend on the availability of real estate investments and the Manager's ability to identify and consummate such transactions. There can be no assurance that the Manager will be able to find attractive investments to invest all or substantially all of the Company's capital. In addition, the timing which an investor makes investments will have a significant impact on returns.

**Conflicts of Interest** The Funds may be subject to conflicts of interest: the general partner and broker may be affiliates; each of the trading advisors, the commodity broker and their principals and affiliates may trade in commodity interests for their own accounts; and your Smith Barney financial consultant will receive ongoing compensation for providing services to your account.

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**Taxation** You will be taxed on your share of each Fund's income, even though the Fund does not intend to make any distributions.

**Manager Risk** The general partner at any time may select and allocate the Fund's assets to advisors that are not described in the prospectus. You may not be advised of such changes in advance. You must rely on the ability of the general partner to select advisors and allocate assets among them.

**Private Equity**

**Valuation** As Private Equity Funds generally will invest in securities that are not readily marketable, the securities generally will be carried at the values provided to the Fund or at cost. These valuation procedures are subjective in nature, do not conform to any particular industry standard and may not reflect actual values at which investments are ultimately realized.

**Liquidity Risk** Interests in a Private Equity Fund are generally not readily marketable and not redeemable. Interests in a Fund generally are not transferable except in limited circumstances. Accordingly investors have to bear the risks of investing in the Fund for the full duration of the Fund.

**Speculative Investment** The investment strategies utilized may include highly speculative investment techniques, highly concentrated portfolios, control and non-control positions and illiquid investments. Because of the specialized nature of the investment, it is not suitable for certain investors and, in any event, an investment in a Private Equity Fund should constitute only a limited part of an investor's total portfolio. There can be no assurance that a Fund will return investors' capital or that cash will be available for distributions.

**Default Remedies** If an investor fails to fund a capital call from a fund when due, the Fund may exercise various remedies with respect to such investor and its interest including, but not limited to, causing the investor to forfeit or sell all or a portion of its interest in the Fund or requiring that the investor immediately pay up to the full amount of its remaining capital commitment.

**Real Estate**

**Real Estate Ownership** Real estate historically has experienced significant fluctuations and cycles in value and local market conditions may result in reductions in the value and the income associated with real property interests, including possible loss of principal investment.

**Leverage** Most real estate investments employ leverage. Leverage has the effect of magnifying both gains and losses, including potential loss of principal.

**Interest Rate Risk** Real estate investments may or may not include the use of floating rate leverage. Floating rate leverage increases the volatility of real estate returns, including increasing the potential loss of principal. Other risks related to interest rates include the risk associated with refinancing properties.

**Illiquid Investments** Many non-REIT real estate investments are illiquid, and are not listed on any exchange. Investments should generally be regarded as fixed and long term. Generally, there are no liquidity provisions and no mechanisms in place for sale of partial interests in non-realized real estate funds. There are often significant restrictions on transfer.
Referenced Indices

- HFR Indices are compiled by Hedge Fund Research, Inc. ("HFR"), an industry service provider. They are based on the performance of hedge funds in various strategies as reported by the hedge fund managers to HFR. While the HFRI Indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI Indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. All data is net of all fees, denominated in U.S. dollar and equal-weighted. The information underlying the indices and the classification of the underlying funds have not been independently verified by either HFR or Morgan Stanley Smith Barney, and neither HFR nor Morgan Stanley Smith Barney make any representation as to their accuracy. Past performance does not guarantee future results. Real results may vary.

- The specific indices used in this document are comprised of hedge funds following the investment strategies as described below
  - HFR Fund Weighted Composite Index: Includes over 2000 constituent funds, equal-weighted index, no fund of funds included in the index, and the constituent funds must have at least $50 million under management or have been actively trading for at least twelve months.
  - FR Equity Hedge Index (Long/Short Equity): Equity Hedge investing consists of a core holding of long equities hedged at all times with short sales of stocks and/or stock index options
  - HFR Convertible Arbitrage Index (Convertible Arbitrage): Convertible Arbitrage involves purchasing a portfolio of convertible securities, generally convertible bonds, and hedging a portion of the equity risk by selling short the underlying common stock
  - HFR Merger Arbitrage Index (Merger Arbitrage): Merger Arbitrage, sometimes called Risk Arbitrage, involves investment in event-driven situations such as leveraged buy-outs, mergers and hostile takeovers
  - HFR Equity Market Neutral Index (Equity Market Neutral): Equity Market Neutral investing seeks to profit by exploiting pricing inefficiencies between related equity securities, neutralizing exposure to market risk by combining long and short positions
  - HFR Event-Driven: Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.
  - HFR Macro Index (Global Macro): Macro involves investing by making leveraged bets on anticipated price movements of stock markets, interest rates, foreign exchange and physical commodities
  - HFR Fixed Income Arbitrage Index (Fixed Income Arbitrage): Fixed Income Arbitrage is a market neutral hedging strategy that seeks to profit by exploiting pricing inefficiencies between related fixed income securities while neutralizing exposure to interest rate risk
  - HFR Relative Value Index: Investment Managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on realization of a pricing discrepancy between the risk adjusted spread and the price of the individual securities. Manger are typically hedged against the outcome of the corporate transaction.
  - HFR Statistical Arbitrage Index (Statistical Arbitrage): Statistical Arbitrage utilizes quantitative analysis of technical factors to exploit pricing inefficiencies between related equity securities, neutralizing exposure to market risk by combining long and short positions
  - HFR Distressed Securities Index (Distressed Debt): Distressed Securities strategies invest in, and may sell short, the securities of companies where the security's price has been, or is expected to be, affected by a distressed situation
  - HFR Emerging Market Index (Emerging Markets): Emerging Markets funds invest in the securities of companies or the sovereign debt of developing or "emerging" countries. The constituents of the HFRI Emerging Markets Indices are selected according to their Regional Investment Focus only. There is no Investment Strategy criteria for inclusion in these indices.
  - HFRI Indices (Blended): Monthly Performance Indices broken down into 37 different categories by strategy
  - HFRI FOF Index: Listing of Top 50 FOF rankings by Rate of Return, Sharpe Ratio, and Standard Deviation Sorted by 1, 3, and 5 year intervals
VIII. Appendix

- **Baclays Aggregate Bond Index**: A market-weighted, intermediate-term bond index of over 6,500 intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

- **Barclays CTA Index**: This benchmark is representative of performance from commodity trading advisors. There are currently 565 programs included in the calculation of the Barclay CTA Index for the year 2011, which is unweighted and rebalanced at the beginning of each year.

- **S&P 500**: A capitalization-weighted index of 500 U.S. large cap stocks

- **Morgan Stanley Capital International World**: An index consisting of approximately 1,500 stocks in 23 countries globally and representing a significant portion of the total market capitalization in those countries

- **NAREIT (REITs)**: Represents the investment performance of all publicly traded REITs as compiled by the National Association of Real Estate Investment Trusts

- **NCREIF Index**: The NCREIF Index is an index of the quarterly total returns of the commercial real estate properties held for tax-exempt institutional investors by the members of NCREIF (National Council of Real Estate Investment Fiduciaries)

- **The NASDAQ Composite Index**: NASDAQ Covers 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest NASQ stocks. It is a value-weighted index calculated on price change only and does not include income
VIII. Appendix

Glossary

**Alpha:** A mathematical value indicating an investment's excess return relative to a benchmark. Measures a manager's value added relative to a passive strategy, independent of the market movement.

**Beta:** A quantitative measure of volatility of a security or strategy relative to a market index. An investment with a beta less than 1.0 is less volatile than the market while an investment with a beta greater than 1.0 is more volatile than the market.

**Correlation:** A measure of the degree to which two variables move in the same direction with the same impact on performance, measured in a range of -1.0 to 1.0. A correlation of -1.0 implies that the variables move inversely with one another while a correlation of 1.0 implies that the variables move in exactly the same manner. A correlation of zero implies that there is no relationship between the movements of the variables (therefore implying perfect diversification).

**Drawdown:** A measure of risk often expressed as the percentage loss of a fund's or strategy's highest value to its lowest value within a specific time period.

**Optimization:** A mathematical process that seeks to maximize expected portfolio return for a targeted level of risk, or minimize expected risk for a targeted level of return.

**Robustness:** A measure of long-term stability among two or more investments' risk, return, and correlation characteristics.

**Standard Deviation:** A measure of the variation of returns around the mean return. Standard deviation is the most widely used approximation of the risk of an individual investment or portfolio.

**Sharpe Ratio:** A measure of risk-adjusted return calculated by dividing an investment's return over the risk-free rate (i.e., Treasury bill yield) by the investment's standard deviation.

**Serial Correlation:** Reported hedge fund returns that are artificially consistent over time.

**Unsmoothing:** A statistical technique that corrects for the valuation biases in reported hedge fund performance.

Note: The definitions described above are not a complete listing of terms and are provided to define key words used in this document.