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Hedge Fund Investment Due Diligence Report
Samlyn Onshore Fund, L.P.
Samlyn Offshore, Ltd.

August 2011

Operations Due Diligence Report provided under separate cover.

Hedge Fund Investment Due Diligence Report

Firm Name:	Samlyn Capital, LLC			
Fund Name:	Samlyn Onshore Fund, L.P. Samlyn Offshore, Ltd.			
Fund/Strategy Assets:	$3.5 billion			
Style:	Equity Long/Short		**Location:**	New York, NY
Review Date:	August 2011		**Reviewer:**	[redacted]

Summary

People and Organization: Samlyn Capital (the "firm"), which was founded by Robert Pohly in 2007, is a lift-out from Sigma Capital, a wholly-owned subsidiary of S.A.C. Capital. The firm currently manages approximately $3.5 billion in Samlyn Onshore Fund, L.P. / Samlyn Offshore, Ltd. ("Samlyn" or the "fund"), an equity long/short strategy mainly focused on financial, healthcare, and industrial companies. Prior to launching the firm, Mr. Pohly was a portfolio manager at Sigma from 2001 through 2006, where he managed the most assets and largest team of any portfolio manager other than Steven Cohen, S.A.C.'s founder. Prior to Sigma, Mr. Pohly held portfolio management and analyst positions at Credit Suisse, Tiger Management, and Goldman Sachs. Samlyn Capital is based in New York City, where all of its 34 employees are located. Mr. Pohly and the firm's senior personnel have invested the vast majority of their liquid net worth in the fund, and as a group is among Samlyn's top five investors.

Investment Strategy and Process: Samlyn is an equity long/short fund mainly focused on financial, healthcare, and industrial companies. The fund relies upon deep, bottom-up, fundamental analyses in order to identify long and short ideas. Samlyn runs with low net sector and market exposures. Net sector exposures can be expected to range from 0% to +15%, while overall net market exposures can be expected to range from +20% to +40%.

Performance: Samlyn has produced very strong absolute and risk-adjusted returns. From its inception through June 2011, the fund generated an annualized return of 13.40% with volatility of 8.71%, resulting in a Sharpe ratio of 1.27.

Risk Management: Mr. Pohly is responsible for portfolio risk management. He monitors long, short, gross, net, beta, sector, and sub-sector exposures on a real-time basis. Moreover, the liquidity and short interest of individual positions, as well as geographies and concentrations within sectors are closely monitored. The fund's CFO utilizes prime broker reports as well as other custom reports to monitor VaR, portfolio volatility, and stress tests, and alerts Mr. Pohly to changing trends.

Operations Analysis: Samlyn's team of thirteen non-investment professionals effectively manages all trading and business operations and meets most all industry operational best practices. The fund is highly transparent. On a monthly basis, investors receive a comprehensive statistics report, which includes exposures, attribution, and top positions.

Investment Terms: The fund offers two shares classes: i) 2% management fee and 20% incentive fee for a 1-year hard lock-up followed by a soft lock-up with a 7% redemption fee in year 2 and semi-annual liquidity thereafter or ii) 1.5% management fee and 17.5% incentive fee for a 3-year hard lock-up followed by a soft lock-up with a 7% redemption fee in year 4. The fund provides a key-man clause, enabling special withdrawal rights associated with Mr. Pohly's involvement.

People and Organization

Samlyn Capital (the "firm"), which was founded by Robert Pohly in 2007, is a lift-out from Sigma Capital, a wholly-owned subsidiary of S.A.C. Capital. The firm currently manages approximately $3.5 billion in Samlyn Onshore Fund, L.P. / Samlyn Offshore, Ltd. ("Samlyn" or the "fund"), an equity long/short strategy mainly focused on financial, healthcare, and industrial companies. Samlyn Capital is based in New York City, where all of its 34 employees are located.

Prior to launching the firm, Mr. Pohly was a portfolio manager at Sigma from 2001 through 2006, where he managed the most assets and largest team of any portfolio manager other than Steven Cohen, S.A.C.'s founder. [redacted]

Before joining Sigma, Mr. Pohly was a portfolio manager at Credit Suisse First Boston. Prior to that, he was a financial services analyst at Tiger Management. Mr. Pohly started his career at Goldman Sachs as an investment banking and equity capital markets analyst. He received an AB from Yale University.

Samlyn Partners, LLC is the general partner and Samlyn Capital, LLC is the investment manager. The funds are structured side-by-side with Samlyn Onshore Fund, L.P., a Delaware limited liability company, as the onshore fund and Samlyn Offshore, Ltd., a Cayman Islands exempted company, as the offshore fund.

Samlyn launched in March 2007 with approximately $400 million in committed capital, and immediately closed to new investments. The fund has grown steadily since that point, mostly due to organic growth and additional investments from existing investors. As of June 2011, Samlyn's assets under management totaled approximately $3.5 billion. A detailed history of the firm's assets under management can be found in Exhibit 1.

Exhibit 1
Samlyn Capital, LLC
Assets Under Management
($ millions)

Year	Total Firm Assets	Total Hedge Fund Assets	The Fund
2007	$879	$879	$879
2008	$1,418	$1,418	$1,418
2009	$2,508	$2,508	$2,508
2010	$3,205	$3,205	$3,205
2011 (June)	$3,529	$3,529	$3,529

Exhibit 2
Samlyn Capital, LLC
Personnel Count

	Involved With Fund Strategy	Firm-Wide	Departures
Investment Professionals:			
Portfolio Managers	1	1	
Research Analysts	17	17	3
Traders/Trade Assistants	3	3	1
Risk Management [1]			
Operations/Back Office:			
Operations	4	4	
Accounting/Administration	7	7	
Information Technology [2]			
Legal/Compliance	2	2	
Investor Relations [3]			

[1] Risk management overseen by the portfolio manager
[2] IT outsourced to Eze Castle
[3] Investor relations overseen by the chief operating officer

Samlyn's investment team consists of 1 portfolio manager, 17 analysts, and 3 traders. The majority of the senior investment team has worked together for more than seven years. On the operations-side, the firm employs 13 individuals, including a chief operating officer, chief financial officer, general counsel, and controller. The fund has experienced minimal turnover since inception, as only three analysts and one trader have parted ways. A breakdown of Samlyn's employee base by functional area can be found in Exhibit 2 and Exhibit 3 provides brief biographical data on the firm's key investment and operations personnel.

Exhibit 3
Samlyn Capital, LLC
Key Investment and Operations Professionals

Name	Title	Years at Firm	Years Exp.	Prior Experience/Education
Robert Pohly	Portfolio Manager	Incep	17	S.A.C. (Sigma), CSFB, Tiger Management, Goldman Sachs/ Yale A.B.
Scott Robinson	Analyst	Incep	13	S.A.C. (Sigma), TA Associates, Robertson Stephens/Northwestern M.B.A., Yale A.B.
Scott Marx	Analyst	Incep	11	Phinity Capital, Independence Investments, Banc of America/ Indiana Univ B.S.
Robert Ristau	Analyst	Incep	8	S.A.C. (Sigma), Banc of America/ Princeton A.B.
Ravi Chopra	Analyst	Incep	10	S.A.C. (Sigma), Goldman Sachs/ Dartmouth A.B.
Michael Cho	Analyst	3	9	Ospraie Management, Blackstone/ Harvard A.B.
Bradley Langston	Analyst	Incep	7	S.A.C. (Sigma), Goldman Sachs/ Univ of Penn (Wharton) B.S.
Timothy Walsh	Head Trader	3	11	Banc of America, Citigroup/SUNY Buffalo B.A.

Steven Wagshal	COO	Incep	17	Goldman Sachs/Univ of Penn (Wharton) B.S.
Aaron Foxbruner	CFO	Incep	12	Indus Capital, Grant Thornton/ Brooklyn College B.S.
Michael Barry	General Counsel	2	19	Mintz Levin Cohn, Skadden Arps, Whitman Breed/Capital University J.D., Univ of Pittsburgh B.A.
Richard Bauer	Controller	3	10	Ambac, PricewaterhouseCoopers/ UNC Chapel Hill M.B.A. and B.A.

Mr. Pohly owns [redacted] of the equity of the investment manager, and has [redacted] voting control. He has invested the vast majority of his liquid net worth in the fund. Further, the senior investment and operations personnel have invested a substantial portion of their net worth in the fund.

In terms of compensation, [redacted]

Samlyn has experienced minimal redemptions and its investor base has been quite stable. The current investor breakdown is approximately [redacted] institutional, [redacted] fund-of-funds, and [redacted] high net worth/family office. As a group, Samlyn's employees are among the top five investors in the fund.

Investment Strategy and Process

Samlyn is an equity long/short fund mainly focused on financial, healthcare, and industrial companies. The fund recently added a fourth sector, consumer/retail, as Mr. Pohly believes that he has identified a talented senior analyst that can fit into the Samlyn model. The investment team relies upon deep, bottom-up, fundamental analyses in order to identify long and short ideas. Key to Samlyn's approach is its ability to identify crucial drivers that will trigger a meaningful price change. The fund focuses on earnings, due to its belief that the sell-side often mis-models earnings projections. Further, the fund assesses the impact of certain unique events, including corporate actions, mergers and acquisitions, dividends, share repurchases, and regulatory changes.

Samlyn's analyst team is divided into six sub-sectors: U.S. financials, non-U.S. financials, global industrials, healthcare services, healthcare products, and consumer/retail. Idea generation is a shared responsibility between Mr. Pohly and the analyst team. The team's sub-sector expertise enables a robust and comprehensive pipeline of ideas, which are generated from numerous sources, including industry contacts (i.e.., senior and operating personnel), consultants, bankers, select buy-side analysts, private equity sponsors, Samlyn limited partners, analysis of companies' reported earnings, and select Wall Street research. Once an idea is sourced, the fund commences in-depth research, which includes:

- Channel checks – Assess company and industry trends by speaking with industry experts, supply chain participants, and competitors
- Company meetings – Visit operating sites and interview members of management
- Financial model preparation – Create models to determine inefficiencies with respect to Street earnings estimates
- Valuation analysis – Calculate and analyze relative and historical multiples, sum-of-the-parts, discounted cash flow, etc.
- Other – Assess short interest and technical factors when initiating or closing positions

The research process is a highly-collaborative effort between Mr. Pohly and the analyst team, whereby the analysts are largely responsible for conducting due diligence and regularly communicating their findings to Mr. Pohly. All investment ideas consist of detailed write-ups, in-depth financial models, catalysts, price targets, and risks to the theses. After an idea has been thoroughly researched, Mr. Pohly, in conjunction with the appropriate senior analyst, will determine the optimal position size. Although there is a high degree of interaction amongst the investment team, Mr. Pohly is the sole decision-maker in terms of buying, selling, and sizing positions.

In addition to daily informal communication, Mr. Pohly meets with one sub-sector team each morning prior to the market open, at which time current and prospective positions are discussed and conviction is gauged. Every Wednesday, the firm holds an office-wide lunch meeting where each senior analyst discusses relevant industry items and, typically, an analyst will present a new investment idea for discussion. Further, every Sunday, each analyst is responsible for e-mailing the team a summary of the prior week's results, upcoming catalysts, and updated valuation analyses for their respective names.

Portfolio Characteristics

Samlyn is mainly comprised of equities and equity-based derivatives within the financials, healthcare, consumer, and industrials sectors. As of June 2011, approximately 30% of the portfolio was in financials, 36% in industrials, 25% in healthcare, and 9% in consumer/retail. As depicted in Exhibit 4, gross exposure has ranged from 107% to 246%, and net exposure has been low, ranging from +16% to +41%. Net sector exposures are also kept quite low, usually in the 0% to +15%-range. The fund typically consists of mostly U.S. companies, with approximately 15% in non-U.S. names. Samlyn invests in companies of all sizes. As of June 2011, 42% of the portfolio was in mega-capitalization names (>$20 billion), 30% in large-capitalization ($5 to $20 billion), 25% in mid-capitalization ($1 to $5 billion), and 3% in small-capitalization (<$1 billion).

Samlyn's short book is constructed to be alpha-generating, and the investment team actively seeks fundamental short opportunities. In the absence of individual short ideas, Samlyn uses customized baskets in order to gain the desired short exposure. That said, the fund anticipates that individual names will typically account for more than 75% of the short book.

Exhibit 4
Samlyn (Composite) Exposures
March 2007 through June 2011

[redacted]

Short Long Net Gross

As shown in Exhibit 5, core long positions are generally less than 5% of equity while core shorts are less than 3%. The top ten longs are 30% of equity, while the top ten shorts are 10%. The portfolio is diversified, containing 200 positions which is within its expected range of 175 to 200. Samlyn is highly liquid, as currently 95% of the portfolio can sold in less than two weeks with minimal market impact.

Exhibit 5
Samlyn (Composite)
Portfolio Characteristics

	[redacted]
Total number of positions	[redacted]
Types of securities	[redacted]
Gross exposure as % of NAV	[redacted]
Gross long exposure as % of NAV	[redacted]
Gross short exposure as % of NAV	[redacted]

[redacted]

Performance:

Samlyn has produced very strong absolute and risk-adjusted returns. From its inception through June 2011, the fund generated an annualized return of 13.40% with volatility of 8.71%, resulting in a Sharpe ratio of 1.27.

Exhibits 6a and 6b provide additional statistics and comparative data for the fund. Commentary associated with these exhibits can be found below:

Return
Samlyn's annualized return of 13.40% far exceeds the HFRI Equity Hedge Index, which gained 2.38% over the same period. This performance places Samlyn amongst the top 10% of all funds within the equity long/short universe. Of note, Samlyn was one of a small percentage of equity long/short funds to produce a positive return in 2008. The fund gained 6.62%, while the S&P 500 Index and the HFRI Equity Hedge Index plummeted 36.99% and 26.65%, respectively.

Risk
The fund has generated a standard deviation of 8.71% since inception, which is several percentage points lower than the HFRI Equity Hedge median value of 13.45%. This places Samlyn in the top quartile of the strategy universe.

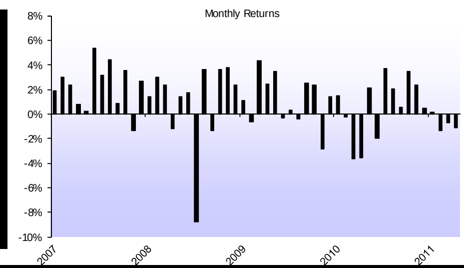
Risk-Adjusted Return
Samlyn has produced superior risk-adjusted returns since inception. Its Sharpe ratio of 1.27 places the fund in the top 2% of all funds within the equity long/short universe.

Betas
The betas shown in Exhibit 6b are not statically significant, as F-stat is 0.46, which corresponds to a significance level well below the 95% threshold typically applied to the test of statistical significance.

Exhibit 6a
Samlyn (Composite) – Performance Analysis
As of June 30, 2011

[redacted]

Fund Return	1-Year	3-Years	5-Years	Inception
Samlyn Capital - Composite	[redacted]			
[redacted]				
S&P 500 TR	[redacted]			
Barclays Aggregate Bond Index				
3 Month Libor Rate				



[redacted]

	Jan	Feb	Mar	Apr	May	Jun	Jul							
2011	2.37%	0.49%	0.11%	-1.34%	-0.74%	-1.08%							-0.24%	0.77%
2010	-2.89%	1.41%	1.51%	-0.25%	-3.64%	-3.57%	2.11%	-2.00%	3.67%	2.05%	0.52%	3.43%	1.98%	10.25%
2009	3.79%	2.38%	1.12%	-0.65%	4.35%	2.47%	3.48%	-0.29%	0.33%	-0.37%	2.53%	2.37%	23.57%	19.98%
2008	-1.32%	2.65%	1.39%	2.95%	2.35%	-1.22%	1.40%	1.71%	-8.75%	3.65%	-1.34%	3.64%	6.62%	-19.03%
2007			1.91%	3.00%	2.35%	0.79%	0.26%	5.34%	3.17%	4.44%	0.86%	3.52%	28.66%	8.03%

[redacted]

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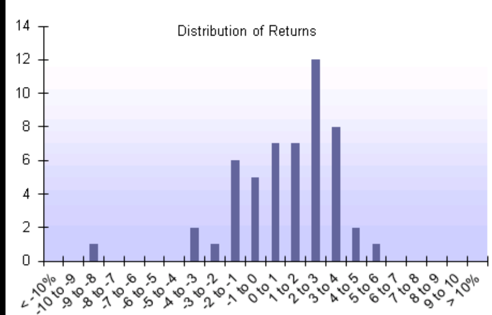
This report reflects information only through the date hereof. Our reporting relies upon the accuracy and completeness of financial and other information publicly available or provided to us by the fund manager, its professional staff, and through other references we have contacted. We have not conducted an independent verification of the information provided other than as described in this report. Our conclusions do not reflect an audit of the investment nor should they be construed as providing legal advice. Past performance does not guarantee future performance. The information contained herein is confidential commercial or financial information, the disclosure of which would cause substantial competitive harm to you, Cliffwater LLC, or the person or entity from whom the information was obtained, and may be protected from disclosure by applicable law.

Exhibit 6b
Samlyn (Composite) – Performance Analysis
As of June 30, 2011

[redacted]



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Risk Management:

Mr. Pohly is responsible for portfolio risk management. He monitors long, short, gross, net, beta, sector, and sub-sector exposures on a real-time basis. Moreover, the liquidity and short interest of individual positions, as well as geographies and concentrations within sectors are closely monitored. The fund's CFO utilizes prime broker reports as well as other custom reports to monitor VaR, portfolio volatility, and stress tests, and alerts Mr. Pohly to changing trends. The analysts, traders, and COO also have the ability to monitor the portfolio on a real-time basis.

The fund does not utilize stop-loss orders, as Mr. Pohly believes that they often inhibit the fund's ability to be aggressive during the greatest opportunities to make money. Instead, each position is closely monitored by the fund's analysts, and constantly compared to the analysts' initial theses, which include in-depth financial models, catalysts, price targets, and risks.

Another key aspect to the fund's risk management policy is broad diversification. There are currently almost 200 positions spread across different sub-sectors, geographies, and capitalizations. The largest long position will rarely exceed 5%, while the largest short will rarely exceed 3%.

Finally, the fund does not make industry or market bets, as it runs with low net sector and market exposures. Net sector exposures can be expected to range from 0% to +15%, while overall net market exposures can be expected to range from +20% to +40%.

Investment Terms:

Summary Comments

The fund offers two shares classes: 2-Year Class - 2% management fee and 20% incentive fee for a 1-year hard lock-up followed by a soft lock-up with a 7% redemption fee in year 2 and semi-annual liquidity thereafter or 4-Year Class - 1.5% management fee and 17.5% incentive fee for a 3-year hard lock-up followed by a soft lock-up with a 7% redemption fee in year 4. The fund provides a key-man clause, enabling special withdrawal rights associated with Mr. Pohly's involvement.

Term	
Fees and expenses	
Management fee	2-Year Class: 2%; 4-Year Class: 1.5%
Performance fee	2-Year Class: 20%; 4-Year Class: 17.5%
High water mark	Yes
Hurdle rate	No
Fee payment frequency	Quarterly management fee; annual performance fee
Fund expenses	Approximately 15 bps
Typical fund expenses	Legal, auditing, accounting, consulting and other professional expenses, administration expenses, research expenses and investment expenses such as commissions, interest on margin accounts and other indebtedness, custodial fees, bank service fees
Offsets to expenses	No
Subscriptions	
Minimum initial investment	$5MM
Minimum subsequent investments	At the discretion of the GP/board of directors
Frequency	Semi-annual
Timing	First day of the month
Notification period	Three business days
Other subscription provisions	No
Redemptions	
Frequency	2-Year Class: Semi-annual; 4-Year Class: At the end of year 4, investors have the option to redeem, re-lock for another 4-year term, or shift into the 2-Year Class
Timing	June 30, December 31
Notification period	45 days
Gate	No
Distribution of proceeds	90% paid within 30 days; balance paid after annual audit
Suspension provisions	The GP/board of directors may suspend redemptions
Other withdrawal provisions	No
Liquidity	
Lock-up	2-Year Class: 1-year hard lock-up followed by a soft lock-up in year 2 or 4-year Class: 3-year hard lock-up followed by a soft lock-up in year 4
Early withdrawal penalties	7% fee if redeemed during soft lock-up period
Key man provisions	Yes, on Mr. Pohly
Transferability	Only with GP/board of directors approval
Side pockets for illiquid investments	Yes, up to 15% of NAV
Side letters	No
Applicability of terms to all investors	Yes, with the exception of employees who receive a fee discount

Appendix: Glossary

Alpha	Measure of a fund's excess returns over market indices. Alpha represents the portion of a portfolio's returns attributable to manager skill.
Arbitrage Strategy	A hedge fund style that aims to profit from the discrepancy in valuation between related securities, which may include equities, fixed income, derivatives, etc. An example is convertible arbitrage, which attempts to exploit the mispricing between embedded options in convertible bonds and the underlying security.
Beta	Measure of a portfolio's return sensitivity to a market index. The higher the beta, the greater the sensitivity to the market. A portfolio with a beta of 1.0 should move directly in line with the market index.
Convexity	A measure of the sensitivity of a bond's duration to changes in interest rates. Bond portfolios with positive convexity are structured to have greater upside, when interest rates decline, than downside when interest rates increase.
Credit Strategy	A hedge fund style that typically invests in high yield and high grade bonds, bank loans, credit default swaps and structured products. Managers use fundamental credit analysis to identify mispriced debt instruments and express their views through long and short positions.
Derivative	A security whose price is derived from the value of one or more of the underlying variables, commonly the price of another security. An example is a call option which gives the holder the right, but not the obligation, to buy an asset at a specified price for a limited period of time. Derivatives can be used to hedge risk, speculate, or establish arbitrage positions.
Distressed Strategy	A hedge fund style that seeks to take advantage of corporate securities in default, under bankruptcy protection, in distress or heading toward such a condition, or in liquidation. Some distressed managers attempt to add value by becoming actively involved in the restructuring process.
DV01	The hypothetical mark-to-market impact on a fixed income portfolio of a 1 basis point increase in the credit spread of each asset.
DV1%	The hypothetical mark-to-market impact on a fixed income portfolio of a 1% increase in the credit spread of each asset.
Early Withdrawal Penalty	A fee assessed to investors that redeem assets prior to the expiration of a "soft" lock-up. The penalty is a percentage of assets, typically 2% to 5%, and these fees generally accrue to the fund.
Equity Long/Short Strategy	A hedge fund style that primarily allocates capital to long and short positions in equities and equity derivatives. Exposures range from net long to market neutral to dedicated short. Some equity long/short funds focus on specific sectors (e.g., technology and healthcare) or regions (e.g., Asia and Europe).
Event Driven Strategy	A hedge fund style that aims to profit from the mispricing of securities related to hard and/or soft catalysts. Examples include mergers (merger arbitrage), restructurings, bankruptcies, litigation, regulatory and legislative changes.
F-Stat (p-value)	Measure of the statistical significance of a regression. A smaller p-value associated with the F-stat indicates a higher level of statistical significance. For example, a p-value of .01or less indicates significance at the 99% level.
Expense Ratio	All expenses charged to the fund other than those related to trading and financing. These expenses typically include organizational expenses; fund legal, compliance, audit and administrative fees (including middle/back office services); directors' fees and expenses; fund-related insurance costs and research and data fees. Charges related to entering into, maintaining, and financing a position are not included in the ratio. These charges would typically include commissions, margin and other finance charges ("carry"), stock loan costs net of short rebate, brokerage charges, intermediation fees, and any other execution or finance related charges.
Fund of Funds	An investment vehicle that invests in a portfolio of hedge funds.
Gate	A restriction on the amount that investors can redeem from a hedge fund in a given period. Gates are designed to help prevent problems associated with large redemption requests during a specific period. Fund level gates establish this limit as a percentage of all holdings in the fund, potentially allowing redeeming investors to receive a percentage greater than the gate amount. Investor level gates limit each investor's withdrawal to a specific percentage of their account.
General Partner	The partner responsible for the management and investment decisions of the fund.
Global Macro Strategy	A hedge fund style focused on taking advantage of structural macroeconomic imbalances

	and trends. Global macro managers generally have broad mandates to invest globally across all asset classes. These managers tend to employ leverage and have exposure to global interest rates, currencies, commodities and equities.
High Water Mark ("HWM") (also Modified HWM)	The value that a portfolio must exceed before incentive fees can be assessed. The HWM is the highest net asset value previously achieved, and ensures that the manager does not earn performance fees on gains until previous losses are recaptured. A modified HWM allows the manager to earn a reduced (one-half) incentive fee during recovery, with the full incentive fee resuming after recovering 200% of earlier losses. A modified HWM helps a manager retain talented employees during weak performance periods.
Information Ratio ("IR")	Commonly used measure of a manager's risk-adjusted alpha versus a benchmark or set of market indices. The IR is the ratio of excess fund returns to tracking error. LIBOR is an appropriate benchmark for evaluating absolute return strategies, with a high IR indicating consistent outperformance.
Kurtosis	Positive kurtosis measures the tendency of returns to deviate from a "normal" distribution and exhibit "fat tails" where there is a greater frequency of large losses and large gains versus what would be normally predicted. Investors should be cautious of hedge funds whose returns exhibit high positive kurtosis, also known as tail risk.
Leverage	The use of explicit debt (i.e. borrowing) or implicit debt (i.e. derivatives) to achieve investment positions that exceed invested capital (NAV), thereby amplifying return but also increasing risk. A common leverage calculation is the ratio of gross notional exposure to invested capital. For example, a $100 investment in BP stock coupled with a $100 short sale of Exxon stock yields gross notional exposure of $200. Leverage in this example can be described in at least two ways: a. The portfolio has 200% gross exposure (equal to $200 gross notional exposure divided by $100 NAV) b. The portfolio is one time (1x) levered (equal to $100 in debt divided by $100 NAV) As illustrated in the example, the $200 gross notional exposure equals the absolute value total of both $100 long ("gross long") and $100 short ("gross short") asset exposures. The measurement of gross notional exposure varies by asset class: • *Equities* – the market value of long and short positions • *Corporate Debt and Municipal Bonds* – the market value of long and short positions • *US Treasuries (and other highly rated government debt)* – the market value of long and short positions, adjusted to a 10 year bond equivalent maturity (approximate 9 year duration), so that a $100 exposure to a 2 year duration bond is recognized as a lower risk compared to a $100 20 year duration bond. The $100 3 year duration bond is said to have a $33 10 year bond equivalent exposure ($100 times 3, divided by 9) while the $100 20 year duration bond is said to have a $222 10 year bond equivalent exposure ($100 times 20, divided by 9) • *Options* – the delta adjusted exposure rather than the total notional value of the underlying reference asset. Delta adjusted exposure represents the implied shares/holdings necessary to hedge the options position • *Credit Default Swaps* – total notional exposure of the underlying reference credit • *Interest Rate Swaps* – total notional exposure (expressed as 10-year bond equivalent, per the duration adjustment process described above) to reference security or index • *Futures/Forwards* – total notional exposure to reference security or index
Limited Partner	Investors are limited partners in the hedge fund and are "limited" in that they have no voice in hedge fund investment or operational matters, and their losses are limited to amounts invested.
Liquidity	The ease with which a hedge fund can convert its holdings to cash. Funds with higher liquidity can close out of positions more easily and with fewer costs.
Lock-up	The period of time before an investor is eligible to redeem from a hedge fund. Lock-ups of one or two years are typical, and may apply to each subsequent investment. The liquidity of the strategy typically influences the length of the lock-up. For example, distressed funds typically have longer lock-up periods than macro and equity long/short funds.
Hard	Assets can not be redeemed during the lock-up period.
Soft	Assets may be redeemed prior to expiration of the lock-up period, but an early redemption penalty must be paid.
Management Fee	Compensation for management of the hedge fund. Management fees typically range from 1% to 2% of assets.
Macro Overlay	A supplemental component of a portfolio designed to change the exposure of the underlying portfolio to various macroeconomic factors.

Margin (Encumbered Cash)	Cash posted as collateral with a broker or exchange to satisfy the trading requirements of derivative contracts.
Margin-to-equity ratio	The percentage of portfolio capital posted as margin with a broker or exchange (i.e., margin capital divided by total capital). In a portfolio composed entirely of derivative contracts, this number represents the percentage of encumbered cash in the portfolio. This is a common measure of leverage used by CTA managers, since it is proportional to the amount of notional exposure per dollar of capital. For example, if one CTA portfolio has a higher margin-to-equity ratio than another, all else being equal, the former portfolio has higher leverage.
Master-Feeder Fund Structure	A fund structure which allows for onshore and offshore fund vehicles to be managed as a single portfolio.
Master Fund	The master fund is that part of a master-feeder structure into which the feeder funds invest and which manages the single combined investment portfolio. The master fund is generally a non-US corporate entity.
Feeder Funds	Two separate legal entities, one a U.S. onshore partnership (LP) and the other a non-U.S. offshore corporation (LTD) which accommodates investor groups with different tax and regulatory needs.
Max Drawdown	The greatest investment loss experienced by a hedge fund, measured from peak (prior highest cumulative return) to valley (subsequent lowest cumulative return).
Multi-Strategy	A hedge fund style that opportunistically allocates capital to various hedge fund strategies and uses diversification to reduce asset-class and single-strategy risks. Ideally, multi-strategy portfolio managers tactically shift capital among strategies in order to capitalize on current market opportunities. Some multi-strategy funds act as a collection of traders, while others have a more formal organizational structure.
Net Asset Value (NAV)	A fund's total assets less total liabilities.
Notional Exposure	The total dollar exposure represented by a position. Due to leverage, this amount may be greater than the equity in the position. For example, a CDS contract offering $1 million of protection has a notional value of $1 million even though the cost of the contract itself is likely to be a small fraction of that amount.
Gross Long	The total notional exposure of all long positions in a portfolio. Long positions benefit from increases in securities prices.
Gross Short	The total notional exposure of all short positions in a portfolio. Short positions benefit from decreases in securities prices.
Net	The difference between a portfolio's gross long and gross short exposures. A net long position indicates a higher portion of long positions in the portfolio, and that the portfolio should generally benefit from an increase in asset prices. A net short position indicates the opposite.
Total Gross	The sum of a portfolio's gross long and gross short exposures.
Offshore Fund	Hedge funds which are registered/domiciled in offshore jurisdictions such as the Cayman Islands, British Virgin Islands, and Luxembourg. Offshore funds provide eligible investors with tax benefits and regulatory relief. Because offshore funds are administered outside of the U.S., non-U.S. investors and tax exempt U.S. investors such as ERISA pension funds can take advantage of tax benefits.
Onshore Fund	A fund with a U.S. legal domicile under the tax and regulatory locale of the fund manager. Most onshore funds are limited partnerships registered under Delaware law.
Performance (Incentive) Fee	The manager's share of the profits above the high water mark and net of management fees and expenses. The fee is typically 20%.
Serial Correlation	The correlation between current and past returns. In an efficient market, there should be no correlation between returns from one period to the next. Some hedge funds, particularly credit oriented funds, exhibit positive serial correlation which indicates that security pricing may be "sticky" and not change from period to period.
Sharpe ratio	Commonly used measure of a manager's risk-adjusted alpha in relation to a risk-free asset. The Sharpe ratio is equal to excess returns divided by excess risk. A high Sharpe ratio indicates that a manager has generated high risk-adjusted returns.
Side Letter	An addendum to the partnership and subscription agreement which stipulates key terms for a particular investor, such as negotiated fee levels, MFN (Most Favored Nation) clauses, transparency requirements, or special liquidity terms.
Side Pocket	A segregated portion of a portfolio that may be used to hold illiquid, less frequently priced securities. Once a holding is placed in a side pocket, only current investors participate in its performance. Subsequent investors do not share in the gains/losses associated with assets previously placed in side pockets. Performance fees are paid when side pocket

	investments are realized. Assets placed into side pockets are not available for withdrawal until the investments are realized.
Skew	Skew measures the tendency of returns to deviate from a symmetrical distribution. Given two return distributions with the same mean and standard deviation, the distribution with the higher positive skew would be more desirable. Several hedge fund styles, particularly arbitrage strategies, exhibit return patterns that are negatively skewed, an undesirable trait but one that can be managed through style diversification at the portfolio level.
Soft Dollars	Commission credits from trading securities that can be used to pay for research or other services that brokers provide to hedge funds and that are intended for the benefit of investors. Most funds operate under the SEC 28e safe harbor rules that restrict soft dollar use to research only.
Suspension Provisions	A hedge fund provision that allows the manager to suspend all redemptions, generally to deal with extraordinary market circumstances.
T-Stat (p-value)	Measure of the statistical significance of an individual independent variable in a regression. A smaller p-value associated with the T-stat indicates a higher level of statistical significance. For example, a p-value of .01 indicates significance at the 99% level.
Tail Risk	A form of risk that arises when portfolio returns deviate from a "normal" distribution and exhibit "fat tails" where there is a greater frequency of large losses and large gains versus what would be predicted. Although technically positive kurtosis, tail risk is usually associated with downside risk in an extreme scenario.
Tracking Error	Measure of the volatility of an investment's performance relative to a benchmark.
Transferability	The terms under which an investor may transfer ownership rights to another investor. Typically requires the approval of the manager or administrator.
Unencumbered Cash	Unencumbered cash is equal to cash holdings less margin requirements.
VAMI	The Value Added Monthly Index (VAMI) reflects the growth of a hypothetical $1,000 in a given investment over time.
Value at Risk (VaR)	The potential loss in value of a portfolio given a specific time horizon and probability. For example, if a portfolio has a one day 5% VaR of $1 million, there is a 5% chance the portfolio will lose more than $1 million on any given day.