



Investment Adviser Brochure  
Form ADV Part 2A  
Disclosure Statement for Clients of  
And Investors in Funds Managed by  
Commonfund Asset Management Company, Inc.

September 30, 2011

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This brochure provides information about the qualifications and business practices of Commonfund Asset Management Company, Inc. If you have any questions about the contents of this brochure, please contact us at 203-563-5000 and/or [compliance@cfund.org](mailto:compliance@cfund.org). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Any statements contained in this brochure concerning the registration of Commonfund Asset Management Company, Inc. with the SEC, or its status as a registered investment adviser, do not imply a certain level of skill or training.

Additional information about Commonfund Asset Management Company, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ADV Item 2 - Material Changes**

The Securities and Exchange Commission (“SEC”) adopted amendments to Form ADV as of July, 2010. This Investment Adviser Brochure is prepared according to the SEC’s new rules and requirements under the Investment Advisers Act of 1940. This Brochure differs substantially from our previous disclosures under Part II of the prior Form ADV and includes some new information that we were not previously required to disclose.

As this is our initial filing of this Brochure, this section relating to material changes from prior versions is not applicable to us. In subsequent versions of our Brochure, this section will contain a summary of material changes incorporated since our last filing. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year.

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## **ADV Item 4 -- Commonfund Asset Management's Investment Advisory Business**

### ***Introduction***

Commonfund Asset Management Company, Inc. ("Commonfund Asset Management") houses the marketable investments, marketable alternatives investments and investment outsourcing services and investment staffs of the Commonfund organization.

As described further in this brochure, Commonfund Asset Management advises both commingled investment funds ("Funds") designed for institutional investors, as well as institutions that wish to outsource all or a portion of the management of their investment assets to the Commonfund organization ("Outsourcing Clients"). Commonfund Asset Management primarily executes its investment strategies through unaffiliated asset management firms selected and monitored by it. We call these sub-advisers "Managers," and describe these advisory services as "manager-of-manager" services (such programs are also sometimes called "fund-of-funds" in the financial industry). However, Commonfund Asset Management also has the authority and ability to manage certain assets directly, including domestic equities, U.S. government securities, swaps, currency forwards, fixed income futures, commodities futures and options. See also Item 5, *Fees and Compensation*, and Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*.

Some of the Commonfund organization's investment programs are managed by affiliates of Commonfund Asset Management – private capital programs and certain private natural resources and distressed strategies are overseen by Commonfund Capital, Inc., and certain real estate programs are managed by Commonfund Realty, Inc. Each of these firms has issued a brochure similar to this one. Investment funds managed by these firms will be referred to as "Affiliate Funds" in this brochure.

Commonfund Asset Management is registered with the SEC as an investment adviser (SEC File No. 801-56548).

### ***History and Ownership of Commonfund Asset Management***

Commonfund Asset Management is part of Commonfund Group, a group of companies owned by The Common Fund for Nonprofit Organizations ("Commonfund"). Commonfund is a tax-exempt membership corporation that provides investment services and funds to certain eligible educational and educational support organizations. Commonfund was organized in 1969 pursuant to a Special Act of the New York State Legislature and commenced operations on July 1, 1971. Initial funding for Commonfund was provided by a grant from The Ford Foundation. For more information about Commonfund and membership in it, please see Commonfund's disclosure pamphlet, *Information for Members*. A current copy of this pamphlet may be obtained by calling us at (203) 563-5000 or on our website ([www.commonfund.org](http://www.commonfund.org)).

In part to enable Commonfund Group to work with a broader universe of clients than those educational institutions eligible for direct membership in Commonfund, Commonfund Asset Management was organized in 1999 and was incorporated under the laws of the State of

Delaware. Commonfund Asset Management is 100 percent owned by Commonfund (through an intermediate holding company).

### *Assets under Management*

As of June 30, 2011, Commonfund Asset Management manages approximately \$14,278,975,134 of assets on a discretionary basis and approximately \$66,862,715 on a non-discretionary basis.

## **ADV Item 5 -- Fees and Compensation**

### *Fund Fee Arrangements*

Commonfund Asset Management charges investors in its Funds fees that include fixed management fees, and in some cases, performance-based fees in addition. It is important to understand that Commonfund Asset Management's fees do not include fees and expenses charged by underlying Managers engaged by Commonfund Asset Management to manage assets of a Fund; these are charged directly to the Funds in question.

As described below, in general Commonfund Asset Management follows a practice of charging a single fee schedule for a given asset class. This works as follows: an investor's total investment in Funds falling into that asset class is aggregated for purposes of computing the level of annual management fee payable to Commonfund Asset Management for these investments. The fee is computed using the applicable fee schedule, with breakpoints for different levels of total investment. Because the aggregate investment in a given asset class will normally be different for each investor, these fees are charged outside the Funds, and investors are invoiced for them monthly by Commonfund Asset Management. Certain investors may negotiate fee arrangements that differ from the fee schedules set forth below. Note, in general, funds or accounts pay fees in arrears.

Where Commonfund Asset Management's services are terminated, any prepaid and unearned fees will be promptly refunded and any earned and unpaid fees will be due and payable.

### 1. Equity Funds

Commonfund Asset Management's fee scale for its equity Funds (both domestic and international) ranges from 40 basis points to 7 basis points, as follows:

Fee Breakpoints	Basis Points (Fees)	Asset Level	Average Basis Points (Fee)
First \$5 million	40	\$5 million	40
Next \$5 million	30	\$10 million	35
Next \$15 million	20	\$25 million	26
Next \$15 million	10	\$40	20
Excess above \$40 million	7		

## 2. Fixed Income Funds

For its fixed income Funds, Commonfund Asset Management's fee scale ranges from 30 basis points to 5 basis points, as follows:

Fee Breakpoints	Basis Points (Fees)	Asset Level	Average Basis Points (Fee)
First \$5 million	30	\$5 million	30
Next \$5 million	20	\$10 million	25
Next \$15 million	10	\$25 million	16
Next \$15 million	7	\$40	13
Excess above \$40 million	5		

## 3. Distressed Funds

Commonfund Asset Management's distressed investment programs charge a management fee of 50-55 basis points annually of each investor's committed capital or called capital, depending on the particular program.

Commonfund Asset Management also charges a performance or incentive fee of 3-5 percent of each investor's net performance with respect to the Distressed Funds, but only if the investor has already received or earned a 5 percent internal rate of return on its investment.

## 4. Commodities Funds

Commonfund Asset Management manages two separate commodities funds that charge different fees.

Commonfund Asset Management's fee for Commonfund Institutional Commodities, Ltd. is 65 basis points annually of the net asset value of each investor's interest in the fund.

Commonfund Asset Management's fee for Commonfund Institutional Multi-Strategy Commodities Fund, Ltd. is comprised of a management fee that ranges from 30 basis points to 5 basis points annually (see the table below), plus a performance-based incentive fee described following the table.

The following table describes the Commonfund Institutional Multi-Strategy Commodities Fund fee schedule (for management fees only) with applicable breakpoints:

Fee Breakpoints	Basis Points (Fees)	Asset Level	Average Basis Points (Fee)
First \$5 million	30	\$5 million	30
Next \$5 million	20	\$10 million	25
Next \$15 million	10	\$25 million	16

Next \$25 million	7	\$50	12
Excess above \$50 million	5		

As noted above, the Commonfund Institutional Multi-Strategy Commodities Fund also charges a performance-based incentive fee, as follows: at the end of each fiscal year, 10 percent of each investor’s net performance in excess of the performance of the Dow Jones-AIG Commodity Index for such year will be payable to Commonfund Asset Management as an incentive fee. This performance fee applies on a standalone basis to the net performance of the fiscal year in question – it is not limited or reduced by losses sustained by the Funds in prior fiscal years (i.e., it is not subject to any high water mark or loss carryforward type of provision).

#### 5. Marketable Alternatives Funds

Commonfund Asset Management’s management fee scale for its marketable alternatives Funds ranges from 50 basis points to 5 basis points.

The following table describes the marketable alternatives Funds schedule (for management fees only) with applicable breakpoints:

Fee Breakpoints	Basis Points (Fees)	Asset Level	Average Basis Points (Fee)
First \$50 million	50	\$50 million	50
Next \$50 million	45	\$100 million	47.5
Next \$50 million	40	\$150 million	45
Next \$50 million	35	\$200 million	42.5
Next \$50 million	30	\$250 million	40
Next \$50 million	25	\$300 million	37.5
Next \$50 million	20	\$350 million	35
Next \$50 million	15	\$400 million	32.5
Next \$50 million	10	\$450 million	30
Thereafter	5		

In addition to the annual management fee described in the table, Commonfund Asset Management also receives an annual performance-based incentive fee of 5 percent of net realized and unrealized appreciation in excess of a negotiated high water mark with respect to the Marketable Alternatives Funds.

#### 6. Real Estate Funds

Commonfund Asset Management manages two separate real estate funds that charge different fees.

Commonfund Asset Management’s fee scale for Commonfund Real Estate Securities Fund ranges from 40 basis points to 7 basis points annually, as follows:

Fee Breakpoints	Basis Points (Fees)	Asset Level	Average Basis Points (Fee)
First \$5 million	40	\$5 million	40
Next \$5 million	30	\$10 million	35
Next \$15 million	20	\$25 million	26
Next \$15 million	10	\$40	20
Excess above \$40 million	7		

Commonfund Asset Management’s fee for Commonfund Strategic Solutions Core Real Estate Fund, LLC is 25 basis points annually of the net asset value of each investor’s interest in the fund.

In addition to the fees for the two real estate funds described above, Commonfund Asset Management’s fee as adviser to a third real estate program, the Commonfund Strategic Solutions Real Estate Opportunity Fund 2011, L.P., is 10 basis points annually of each investor’s interest in the Fund.

#### *Fee Arrangements for Outsourcing Clients*

As described further below, advisory services to Outsourcing Clients include Strategic Solutions and separate account arrangements.

#### Strategic Solutions Fee Arrangements

Commonfund Asset Management offers an advisory service to institutional investors it calls “Strategic Solutions.” In general, the Strategic Solutions service is designed for institutions that wish to outsource the management of all or a substantial portion of their investment assets, and to have Commonfund Asset Management serve in effect as the institution’s investment office. Although Commonfund Asset Management reserves the right to waive this minimum, the minimum size of a Strategic Solutions mandate is \$25 million.

In providing its Strategic Solutions service, Commonfund Asset Management normally places all or a substantial portion of the assets provided to it by Strategic Solutions clients in Funds managed by Commonfund Asset Management or Affiliate Funds (which we collectively refer to as “Commonfund Group Funds”), with the understanding and agreement of those clients. As investors in those Funds, Strategic Solutions clients are charged the fees of Commonfund Asset Management or its affiliates applicable to those Funds (as well as the fees of underlying Managers).

At present, Commonfund Asset Management does not charge any overall management fees for the Strategic Solutions service, i.e., it generally does not charge Strategic Solutions clients with fees other than the fees they pay as investors in Commonfund Group Funds.

However, there are certain exceptions:

- First, in the event that a Strategic Solutions client maintains separate assets (i.e., assets in the client's investment portfolio(s) that are managed or advised by firms that were not initially selected by Commonfund Asset Management, and over which the client has not given Commonfund Asset Management investment discretion), Commonfund Asset Management charges the client a fee related to reporting the performance of such outside assets and incorporating such performance in client analytics and reports. These outside assets reporting fees are approximately 0.05% (5 basis points) of the monthly net asset value of the outside assets accrued monthly and payable quarterly.
- Second, if a Strategic Solutions client wishes to maintain assets with a third-party firm (either in the form of a separate account with that firm or an investment in a fund managed by that firm) that was not initially selected by Commonfund Asset Management, but wishes Commonfund Asset Management to have oversight management of such assets in a discretionary manner going forward, and Commonfund Asset Management agrees to accept that assignment, Commonfund Asset Management will charge a fee based on its own fee schedule for the asset class most closely applicable to the portfolio in question.
- Third, if a Strategic Solutions client wishes to maintain assets with a third-party firm (either in the form of a separate account with that firm or an investment in a fund managed by that firm) that is selected by Commonfund Asset Management and for which Commonfund Asset Management has oversight management of such assets in a discretionary manner, and Commonfund Asset Management agrees to accept this assignment, Commonfund Asset Management will charge a fee based on its own fee schedule for the asset class most closely applicable to the portfolio in question.
- Fourth, if a Strategic Solutions Client invests in index funds offered by State Street Bank (or another index fund provider selected by Commonfund Asset Management Company), Commonfund Asset Management will generally charge the client an oversight fee based on its own fee schedule for the asset class most closely applicable to the index fund in question, as described in the second bullet point above. However, in cases involving assets of a Strategic Solutions client that have been committed to an investment fund but have not yet been called for investment by that fund, and that Strategic Solutions has allocated to one or more such index funds pending the future capital calls, Commonfund Asset Management will charge an oversight fee of 0.05% (5 basis points) of the monthly net asset value of the client's total investment in such index funds, accrued monthly and paid quarterly.

Commonfund Asset Management, in its sole discretion, may waive such fees.

#### Separate Account Management Fee Arrangements

For separate accounts, Commonfund Asset Management charges management fees, similar to those that it would charge for investment in its Funds within a similar asset class. The following tables describe the fee schedules generally applicable to separate accounts.

1. Separate Account Management for the Equities/Fixed Income/Commodities Investment Programs

Fee Breakpoints	Fixed Income Basis Points (Fees)	Equities Basis Points (Fees)	Commodities Basis Points (Fees)
First \$5 million	35	45	35
Next \$5 million	25	35	25
Next \$15 million	15	25	15
Next \$15 million	12	15	12
Excess above \$40 million	10	12	10

2. Separate Account Management for the Marketable Alternative Investment Programs

Marketable Alternatives Breakpoints	Basis Points
First \$50 million	55
Next \$50 million	50
Next \$50 million	45
Next \$50 million	40
Next \$50 million	35
Next \$50 million	30
Next \$50 million	25
Next \$50 million	20
Next \$50 million	15
Thereafter	10

*Other Fees and Expenses*

The Funds and other client accounts also bear their own operating and other typical expenses and fees including, but not limited to, audit expenses, custody fees and brokerage fees.

**ADV Item 6 – Performance-Based Fees and Side-by-Side Management**

*Performance Incentive Fees*

Certain Commonfund Asset Management Funds and separate accounts charge performance-based incentive fees, as detailed in the preceding section. These range from 5 to 10 percent of net Fund performance, subject in some cases to high watermark provisions. Please see “*Performance Incentive Fees*” (ADV Item 5 – Fees and Compensation) for further details regarding Commonfund Asset Management’s performance fee arrangements.

There are currently no performance fees for the Strategic Solutions program.

In addition, many Managers utilized by Commonfund Asset Management or its affiliates charge performance incentive fees, particularly in the marketable alternatives and private equity sectors. The performance incentive fees of talented Managers in these sectors may range as high as 30 percent of net profits annually, or higher. Manager performance fees are paid directly by Commonfund Asset Management's Funds or accounts, and thus are borne by investors.

While we believe that performance fees can align the interests of an investment manager with those of its clients, investors should also be aware that such fees may incentivize Commonfund Asset Management or its Managers to increase risk in their portfolios.

### *Potential Conflicts of Interest*

Commonfund Asset Management provides investment advice to a variety of clients, including Funds in different asset classes and with different objectives, as well as institutions with differing objectives and risk tolerances. Commonfund Asset Management's affiliates also manage investment assets for a variety of clients. In managing portfolios for Commonfund Group Funds and other clients, sometimes side-by-side, Commonfund Asset Management and its affiliates may face potential conflicts of interest. The principal of these are discussed below.

#### Performance Fees

As noted in the preceding section, Commonfund Asset Management earns performance fees with respect to some Funds and client accounts, but not others. In addition to the possibility that these fees might create an incentive to increase investment risks, there is also the potential that Commonfund Asset Management could favor accounts that earn performance fees over those that do not. Commonfund Asset Management believes that its compensation arrangements (as well as those with its employees) place sufficient weight on the performance of all accounts that such favoritism is not likely to occur. Additionally, we note that Commonfund Asset Management's and Commonfund Group's allocation policies (discussed in the following section) are designed to mitigate potential conflicts of interest that may arise from the side-by-side management of client accounts that charge performance fees and those that do not.

#### Allocation of Opportunities

Certain attractive investment opportunities available to Commonfund Asset Management and its clients may be limited in the amount of total investment they offer to Commonfund Asset Management. In cases where such limited opportunities could be suitable for more than one fund or client advised by Commonfund Asset Management and its affiliates, Commonfund Asset Management has adopted a policy regarding their allocation.

The limited opportunity policy (which has been adopted in common by Commonfund Asset Management and by its advisory affiliates Commonfund Capital, Inc. and Commonfund Realty, Inc.) provides that an intercompany special committee will allocate such opportunities among advised funds or accounts for whom such opportunities are deemed appropriate. The committee will take into account relevant factors, including:

- whether, when the opportunity is to invest in a fund operated by an external Manager, the investing fund is one of a series of similar funds that have previously invested in predecessor funds offered by the same Manager;
- the inception dates of the advised funds or accounts;
- the relative amounts of total capital in such funds or accounts;
- the commitments and disclosures made to such advised funds or accounts;
- the investment programs and any investment guidelines of such advised funds or accounts;
- the risk profiles of the advised funds or accounts; and
- any other factors that Commonfund Asset Management and its affiliates believe in good faith will result in a fair allocation.

In making such determinations, Commonfund Asset Management and its affiliates will not give priority to their own business interests or convenience, or that of their respective employees.

### Cross-Trades

Commonfund Asset Management may from time to time cause investments to be transferred from one client to another (whether between Funds or client accounts), where it believes that such a transaction serves the investment programs of each client. Such transactions (sometimes called “cross transactions” in the financial industry) create the possibility that, based on the subsequent performance of the assets in question, one of Commonfund Asset Management’s clients could be said to have benefitted at the expense of the other. Commonfund Asset Management’s practice is not to permit a cross-transaction unless it has confidence in the current valuation of the assets to be transferred, based on objective criteria. In that manner, it seeks to ensure that, at the time of the trade, both parties are receiving appropriate value.

Commonfund Asset Management generally will not allow transactions between client accounts where it or its affiliates have a significant proprietary ownership or other economic interest in one of such accounts. In the unusual case in which it would go forward with such a transaction, Commonfund Asset Management would ensure that it complies fully with applicable statutes and SEC regulations relating to so-called “principal” transactions.

### **ADV Item 7 -- Types of Commonfund Asset Management Clients**

As noted in the Introduction, Commonfund Asset Management advises both Funds that it manages, and institutions that are Outsourcing Clients. The institutions that invest in its Funds or that are its Outsourcing Clients are primarily nonprofit organizations (including educational institutions, foundations, operating charities, nonprofit healthcare organizations, and their affiliated pension plans). Commonfund Asset Management will also manage assets for pension plans (both public and corporate), sovereign entities, family offices, and other types of institutions. Commonfund Asset Management also reserves the right to permit certain associated individuals to invest in its programs.

The “Endowment Funds” managed by Commonfund Asset Management for its parent, Commonfund, impose special eligibility requirements, due to the nature of Commonfund’s tax exempt status. These Funds are open solely to member institutions of Commonfund, which must be the types of educational organizations described in Section 501(f) of the Internal Revenue Code of 1986, as amended. These include nonprofit educational institutions (with physical campuses and regularly enrolled faculty) and certain foundations supporting state or public universities. Prospective members of Commonfund must complete applications detailing their eligibility, and agree to abide by the rules of membership established by Commonfund, before they may invest in the Endowment Funds. Minimum investment in the Endowment Funds is \$50,000. The Endowment Funds (including their investment programs and risks), as well as Commonfund’s membership eligibility requirements and membership rules, are described in detail in Commonfund’s disclosure pamphlet, *Information For Members*. A current copy of this pamphlet may be obtained on our website ([www.commonfund.org](http://www.commonfund.org)) or by calling us at (203) 563-5000.

With respect to the other Funds offered by Commonfund Asset Management, each of these is offered through private placement, and eligibility to invest is subject to certain requirements imposed by the Federal securities laws. The majority of these private Funds require that investors own more than \$25 million in investments, or otherwise are considered “qualified purchasers” for purposes of the Investment Company Act of 1940 and associated regulations. Certain Funds, which limit the number of investors to 100 or fewer, only require that investors be “accredited investors” under the Federal securities laws, a definition that in most cases requires an institutional investor to have a net worth of at least \$5 million and (ii) “qualified clients” under the Investment Advisers Act of 1940. The eligibility requirements of each of Commonfund Asset Management’s private Funds are described in detail in the offering and subscription materials for that Fund. In addition to these eligibility requirements, Commonfund Asset Management also generally requires, in the case of its private Funds, a minimum investment of \$1 million, although it reserves the right to waive that minimum.

As previously described, Commonfund Asset Management also provides investment advisory services to institutional investors under the Strategic Solutions program or pursuant to separate account mandates. The minimum accounts for these programs are generally as follows:

Strategic Solutions -- \$25 million

Separate Account -- \$100 million

Commonfund Asset Management reserves the right to waive minimum account requirements.

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

### *Methods of Analysis*

#### **Introduction**

Commonfund Asset Management offers advisory services both to Funds managed and operated by it (which are open to investment by institutional investors generally), and to Outsourcing

Clients (i.e., institutional investors wishing to outsource the management of all or a substantial portion of their investment portfolios).

### **Advising Funds**

In advising the Funds, Commonfund Asset Management generally executes its investment strategies through Managers. Commonfund Asset Management favors a dynamic and active approach with respect to oversight of its Funds, which includes the selection of talented Managers, rigorous research, portfolio construction and ongoing risk analysis and extensive due diligence. Arrangements with Managers may take the form of separate account relationships, or of investments by the Funds into commingled funds managed and operated by Managers.

Commonfund Asset Management also may itself manage certain investments in underlying securities held by the Funds, subject to internal guidelines. These directly managed assets may include long-only positions in domestic equities, high grade fixed income instruments, and overlay strategies involving derivative positions. Risks relating to these types of holdings are described in more detail below.

In managing its Funds, Commonfund Asset Management's investment professionals engage in extensive analysis at multiple levels, including: selection of the investment strategies and asset class and sector allocations made by the Funds; selection and oversight of Managers used by the Funds, including engagement and termination of Managers and periodic reweighting of allocations to them; analysis of underlying investments held by Managers, in order to understand the Managers' strategies and to assess their performance and skill levels, as well as to understand Fund exposures that run across different Managers; and in the case of investments directly managed by Commonfund Asset Management, securities selection and continuous monitoring of such securities. Commonfund Asset Management maintains a number of systems, both commercially available as well as proprietary, that assist its professionals in making the many qualitative and quantitative assessments required by the foregoing analysis.

In general, Commonfund Asset Management's investment approach favors active over passive management. We believe that institutional investors should seek to identify and manage both their exposures to broad market movements ("beta") and sources of potential outperformance of broad markets created by active manager skill ("alpha"). We refer to this approach as "active alpha and managed beta."

### **Advising Outsourcing Clients**

The "Strategic Solutions" service is provided by Commonfund Asset Management to portfolios with a net asset value of at least \$25 million (although Commonfund Asset Management reserves the right to accept smaller accounts). Strategic Solutions accounts are normally reviewed on at least a monthly basis to determine whether any rebalancing amongst asset classes is appropriate, consistent with an investment policy that has been agreed upon with clients. The Strategic Solutions team provides its clients with comprehensive quarterly reporting, and normally confers with its clients on at least an annual basis.

Commonfund Asset Management may also construct a customized separate account for an

institutional client that focuses on one or more asset classes but does not constitute all or even the majority of the client's investment assets; generally, Commonfund Asset Management will require such accounts to have \$100 million in net assets or greater. Commonfund Asset Management reserves the right to waive this separate account minimum size in particular cases.

In this brochure, we will refer to advisory services for Outsourcing Clients, whether they take the form of Strategic Solutions accounts or other types of separate accounts, as "outsourcing services" and such accounts as "outsourcing portfolios."

Through its outsourcing services, Commonfund Asset Management acts as its clients' investment office to provide oversight and management of the portfolios entrusted to it, consistent with the investment objectives and risk tolerances that have been established in consultation with clients, as well as spending and other institutional policies that affect such portfolios. In outsourcing portfolios, Commonfund Asset Management principally executes its investment strategies through selection and oversight of Managers, normally by allocation to Funds but also in select cases by allocation to single- or multi manager funds operated by third-party asset management firms. In addition to placing assets in Funds managed by it, Commonfund Asset Management will also place assets in Affiliate Funds (including the private capital, natural resources and distressed debt programs overseen by Commonfund Capital, Inc.).

As in the case of its Funds, Commonfund Asset Management applies a bias towards active management to its outsourcing portfolios, with the view that long-term institutional investors should pursue "alpha," or additional return above broad-market returns, through the taking of carefully selected and diversified equity, liquidity, and active management risks.

### *Investment Strategies*

Below is a brief summary of the major investment strategies used by Commonfund Asset Management. The fundamental objective of each investment strategy is to achieve attractive longer-term risk-adjusted returns; of course there can be no assurance that this goal will be achieved. Within a Fund or an outsourcing portfolio that is pursuing multiple strategies, each one functions within the context of a client's overall portfolio and complements other strategies to achieve the investment goals of the client.

The confidential private placement memorandum or other similar principal disclosure document relating to each Fund (together with any supplements, subscription agreements or other related materials, the "offering documents") includes detailed additional information of the investment program, operations and potential risks of that Fund and should be carefully reviewed by each investor. For a summary description of the principal risks relating to the investment strategies employed by Commonfund Asset Management, please see the section of this brochure entitled *Material, Significant or Unusual Risks Relating to Investment Strategies* below. For a more detailed description of these and other applicable risks, please see the appropriate section (typically entitled "Certain Risk Factors") in the respective confidential private placement memorandum of each Fund. In addition, in the case of each investment made by an outsourcing portfolio in an Affiliate Fund or a fund operated by a Manager, a detailed description of the investment program, operations and potential risks of that fund is provided in the offering documents of such fund, which will be made available to the Outsourcing Client by

Commonfund Asset Management. Prospective and current investors should review this Form ADV and any applicable offering documents with care.

Investing in securities involves risk of loss that all clients should be prepared to bear. The possibility of total or partial loss of capital exists, and a prospective investor should not subscribe unless they can readily bear the consequences of loss.

Depending on the investment mandate of its client, Commonfund Asset Management may engage in some or all of the following investment strategies.

## **Equity Strategies**

Commonfund Asset Management's equity strategy focuses on active asset allocation across a broad spectrum of equity categories and the careful selection of talented Managers within these categories. Using a multi-manager approach, Commonfund Asset Management's equity strategies allocate assets to Managers (or in the case of an outsourcing portfolio, Funds or Managers). Commonfund Asset Management's equity strategy can generally be divided into the following categories:

### **International Equity**

Commonfund Asset Management's international equity strategy focuses primarily on investments in common stocks and other equity securities of foreign companies, including issuers located in emerging markets. The international equity strategy also seeks to protect the economic value of clients' investments through currency hedging, security hedging or other hedging strategies. Commonfund Asset Management's international equity strategy may utilize derivative transactions, including swaps, short sales, forward contracts or options, and overlay hedging activities, to manage client exposure to various risks.

### **Emerging Markets**

Our emerging markets equity strategy focuses primarily on investing in common stocks and other equity securities of companies located in the developing countries of the world. This strategy will generally have exposure to companies in the Morgan Stanley Capital International Emerging Market Free Index, although it may also invest in companies located in less-developed "frontier" markets.

### **Core Equity**

Commonfund Asset Management's core equity strategy focuses on investing primarily in a diversified portfolio of common stocks, and securities convertible into common stocks, of established U.S. companies. Generally, the issuers of such stocks or convertible securities will have market capitalizations in the range of the companies in the S&P 500 Index. Commonfund Asset Management focuses on adding value through stock selection, rather than sector or style variance.

## Multi-Strategy

Commonfund Asset Management's multi-strategy equity strategy focuses on allocating assets across a wide spectrum of equity strategies, including investing in a portfolio of common stocks, and securities convertible into common stocks, of U.S. companies. A multi-strategy equity allocation to the U.S. equity market includes exposure to companies in the S&P 500 index as well as companies not included in the index. Diversification is achieved by investing in common stocks and other equity securities of foreign companies in both developed and emerging markets, as well as in equity-oriented hedge funds and other marketable alternatives strategies (see "Marketable Alternatives Strategies" below).

## Small Cap

Commonfund Asset Management's small cap strategy focuses on investing primarily in the equity securities of smaller U.S. companies. Generally, these companies will have market capitalizations in the range of the companies in the Russell 2000 Index. Within this strategy, Commonfund Asset Management hires Managers whose approaches to stock selection are complementary and are designed to add long-term value over the benchmark index.

## All Cap/Equity Opportunities

Commonfund Asset Management's all cap strategy focuses on investing primarily in a portfolio of common stocks and securities convertible into common stocks of U.S. companies. Generally, these companies will have market capitalizations in the range of companies in the Russell 3000 Index. Commonfund Asset Management, when utilizing an all cap investment strategy, may invest in equity securities of foreign companies.

## Equity Index

Commonfund Asset Management's equity index investment strategy tracks the performance of the S & P 500 Index and seeks to replicate its performance while simultaneously reducing transaction costs through the avoidance of odd lot purchases.

## **Fixed Income Strategies**

Commonfund Asset Management's fixed income strategies employ an active and dynamic investment style that seeks to combine various skilled Managers and qualitative and quantitative fixed income strategies to produce a portfolio with a desired risk/return characteristic. Varied and complementary strategies, styles and techniques are taken into account during the Manager selection process. Commonfund Asset Management's fixed income strategies can generally be divided into the following categories:

### High Quality Bond

Commonfund Asset Management's high quality bond strategy focuses on investments in investment-grade fixed income securities in an attempt to outperform the broad U.S. bond

market. Investment grade securities are those rated in one of the four highest categories by a nationally recognized rating agency.

### Global Bond

Commonfund Asset Management's global bond strategy seeks to invest in sovereign bonds and other fixed income securities worldwide in an attempt to outperform the broad worldwide bond market. This strategy allocates assets using various disciplines to select investments from a universe that includes securities issued by U.S. and foreign governments, their agencies and instrumentalities, U.S. and foreign corporations, and asset backed and mortgage-backed securities, as well as marketable alternatives strategies (see "Marketable Alternatives Strategies" below). Managers in this strategy are permitted (but not required) to use forward foreign currency contracts and currency futures contracts and options to manage foreign currency exposure.

### Multi-Strategy

Commonfund Asset Management's fixed income multi-strategy investment strategy generally focuses on investments in a broad spectrum of fixed income sectors. Generally, assets are invested in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the U.S. bond market. Diversification is achieved by allocating assets to other fixed income securities and strategies, including but not limited to global bonds, inflation indexed bonds, high yield bonds, emerging markets debt and opportunistic fixed income strategies, as well as allocations to alternative fixed income strategies such as distressed strategies and fixed-income oriented marketable alternatives strategies (see "Marketable Alternatives Strategies" and "Distressed Strategies" below).

### Real Return Bond

Commonfund Asset Management's real return bond strategy invests primarily in investment grade inflation-indexed securities and non-U.S. dollar denominated inflation indexed securities. Inflation-indexed securities are fixed income securities that are structured to provide protection against inflation.

### Intermediate Term Fund

Commonfund's Intermediate Term Fund strategy focuses primarily on producing a total return in excess of its benchmark, the BofA Merrill Lynch 1-3 Year Treasury Index, but attaches greater emphasis to its goal of generating a higher current yield than short-term money market investments in a manner that mitigates the chances of negative total return over any 12-month period. Generally, assets are invested in a diversified portfolio of marketable securities of the types eligible for investments by a multi-strategy investment strategy (including global bonds and inflation indexed bonds) with an average effective duration of approximately three years or less. It is the policy of this strategy that at least 50 percent of the net assets of a portfolio will be invested in securities issued or guaranteed by the U.S. government, federal agencies or U.S. government sponsored corporations, or in securities that are rated AAA or its equivalent by at least one of the nationally recognized rating agencies

The Intermediate Term Fund is offered only as an Endowment Fund that limits investment to educational institutions that are members of Commonfund. See Item 7, *Types of Commonfund Asset Management Clients* earlier in this brochure.

### **Distressed Strategy**

Commonfund Asset Management's distressed strategy focuses on turnaround and distressed investing by pursuing trading and financing strategies both in the U.S. and globally. This generally involves the purchase or sale of credit obligations of companies that are experiencing some type of financial reorganization. Commonfund Asset Management employs several strategies under its distressed strategy umbrella, including obtaining blocker positions in the senior layers of a company's capital structure to influence the restructuring process, taking advantage of major shifts in public distressed markets or providing financing to distressed companies. Commonfund Asset Management's investment team conducts rigorous research on Managers including extensive due diligence of their investment process, results and future potential, and performs ongoing disciplined oversight and monitoring of Managers.

The availability of distressed investing is a function of supply and demand, with greater opportunities existing when the supply of troubled credits is high and investor demand is low. Commonfund Asset Management's investment team strives to take advantage of market dislocation and supply/demand imbalances in different regions of the world and at different points in the cycle to produce a portfolio with a desired risk/return characteristic.

Management of certain existing distressed debt funds (which are generally closed to new investment) formerly managed by Commonfund Asset Management has been transferred to its affiliate Commonfund Capital, Inc. Commonfund Asset Management intends to offer Funds that pursue a distressed strategy in securities that are generally marketable; distressed strategies involving private, less liquid investments will be offered by Commonfund Capital, Inc.

### **Commodities Strategy**

Commonfund Asset Management's commodities strategy focuses on allocating assets across a broad spectrum of commodity-oriented categories, through the use of derivatives or otherwise, including but not limited to, futures, options on futures and forward contracts on agricultural goods, metals, minerals, energy products and foreign currencies. Commonfund Asset Management's commodities strategy involves investing directly or indirectly in swap transactions, as well as investing directly in commodities futures or options on commodities futures.

### **Marketable Alternatives Strategies**

Commonfund Asset Management's marketable alternatives strategies focus on allocating assets across a broad spectrum of investment strategies including equities, fixed income, commodities, interest rates and currencies. Marketable alternatives strategies vary widely in terms of investment approach, instruments used, and sensitivity to one of two broad strategy groups: discretionary strategies and relative value strategies. Commonfund Asset Management's

Marketable Alternative Strategies team creates portfolios of Funds that invest across these strategies using a discretionary or relative value approach or a combination thereof. The objective of a portfolio employing a marketable alternatives strategy is to generate attractive, risk-adjusted returns with low correlation to broad markets over a full market cycle.

Commonfund Asset Management's Marketable Alternative Strategies Group defines discretionary strategies as market directional, i.e., the investment managers take a position on the expected future market valuations of the instruments traded. These investment managers incur market risk, also known as beta, to earn return incremental to the market return, known as alpha, for investors. Discretionary strategies include hedged equity (often referred to as long-short equity in the financial industry) as well as global macro investments.

Hedged equity strategies invest in equity securities, or derivatives thereof, long and short, with the expectation that current market prices do not reflect intrinsic value. Investment managers tend to utilize long under-valued positions and use short selling to profit from expected declines in stock prices.

Global macro strategies invest globally across multiple markets, asset classes and time frames on the basis of macro-economic and political events and expectations. Investment managers employing global macro strategies seek to exploit macro-economic and political shifts or trends using either discretionary or systematic investment methods.

Relative value strategies encompass those strategies that have low net market exposure, an event or arbitrage orientation, and returns derived primarily from alpha earned by the investment manager. Relative value strategies include equity market neutral, event-driven, and fixed income arbitrage strategies.

A portfolio employing an equity market neutral strategy seeks to profit from price movements in stocks in isolation from moves in the overall equity market. These strategies often involve offsetting exposures long and short, resulting in a net exposure that is neutral to the market's direction (beta), or to a sector, style, market capitalization size and/or other factors.

Event driven strategies generate returns based on the expected outcome of business events such as mergers, bankruptcies, financial restructurings or reorganizations. A portfolio fund employing an event driven strategy capitalizes on the uncertainty surrounding the resolution of the event by being paid a risk premium and or a return for providing liquidity to the capital markets that enable the completion of the event.

Fixed income arbitrage incorporates a number of strategies involving fixed income securities including developed market government debt, agency debt, corporate debt, municipal debt, mortgage-backed securities, sovereign emerging market debt and related derivatives. Fixed income arbitrage generally seeks to profit from mispriced credit, volatility or liquidity premiums.

## **Real Estate Strategies**

Commonfund Asset Management's real estate investment strategies seek to provide market exposure to real property assets by investing with a sophisticated and select group of managers

who specialize in real estate investment. The principal strategies employed by Commonfund Asset Management are as follows:

#### Core Real Estate

The core real estate strategy focuses on investing client assets with multiple managers in a diversified portfolio of stabilized, income producing assets primarily from the four major property types (office, industrial, apartment and retail) that are located in larger regional markets and have high occupancy levels, stable tenants, staggered lease expirations and competitive market rents. The objective of the core real estate strategy is to provide a net rate of return to investors in excess of the NCREIF Fund Index, with low correlation to the equity, fixed income and other alternative asset classes.

#### Opportunistic Real Estate

The opportunistic real estate strategy seeks managers who we believe can generate superior risk-adjusted returns and long-term growth, with relatively low correlation to the public equity markets, through an investment strategy focusing on “Non-Core” real estate investments. This alpha driven strategy is generally not limited by diversification constraints, portfolio allocation projections, or investment vehicle type. The strategy seeks superior real-asset or real-asset related transactions and invests with managers that purchase real property and related securities located anywhere in the world, but with a focus on U.S. transactions.

#### Public Real Estate Securities

The public real estate equity strategy seeks to provide exposure to Managers who invest primarily in equity oriented “real estate investments trusts” or “REITs” and real estate operating companies that own and operate multi-family, commercial and real properties in the U.S and abroad. The investment objective is to outperform the Dow Jones U.S. Select Real Estate Securities Index over a full market cycle.

The public real estate equity strategy is currently offered only through the Real Estate Securities Fund, which is an Endowment Fund that limits investment to educational institutions that are members of Commonfund. See *Types of Commonfund Asset Management Clients* earlier in this brochure.

#### *Principal Risks of Investing*

The risks involved for any particular Fund or other client’s account will depend on the investment strategy and the type of investments held in the client’s account. The following are descriptions of various principal risk factors related to the significant investment strategies and methods of analysis employed by Commonfund Asset Management as described above. **It is important to note that not all risks are described below.** Prospective investors should carefully read the section entitled “Certain Risk Factors” in the respective confidential private placement memorandum of each Fund, or in the case of Outsourcing Clients, each Fund, Affiliate Fund or Manager fund in which their account is invested.

The investment strategies described above involve a substantial degree of risk, and Funds or Outsourcing Clients may lose all or a substantial portion of the value of their investments.

The following discussion of risk factors generally will not distinguish between investment managers that are affiliates of Commonfund Asset Management, internal portfolio managers, or Managers, they will collectively be referred to as ‘investment managers.’ However, where the context requires (because for example the risk factor being discussed relates only to the management by Commonfund Asset Management or one of its affiliates of a Commonfund Group Fund), we may refer to particular sub-groups of investment managers.

## **General Risks**

### *Investment and Trading Risks in General*

Investments in funds are generally speculative and involve a high degree of risk including the potential loss of the entire amount invested by a client. Investment managers may invest in and trade securities and other instruments that use strategies and investment techniques which are highly complex and are influenced by economic and other events which affect particular issuers including governments. Numerous factors affecting the performance of investment strategies such as inflation, interest rates, equity and commodities prices and long term economic trends are outside the control of investment managers and can adversely influence the value of investments.

### *General Economic and Market Conditions*

The success of a client’s investments will be affected by general economic and market conditions in the United States or other countries in which investment managers may invest. General economic and market conditions include interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including tax laws, securities laws, bankruptcy laws or accounting standards), trade barriers, currency exchange controls, and national and international political circumstances. Any of the foregoing conditions could have a material adverse effect on investment strategies. As well, predictions about general economic and market conditions are uncertain and the impact of such factors will be larger or smaller depending on the types of securities a fund owns and the markets in which they trade.

### *The Availability of Investment Opportunities*

An investment manager’s identification of investment opportunities involves a high degree of uncertainty and is based on a subjective decision making process. Thus, there can be no assurance that investment managers will be able to identify suitable investment opportunities and, even when an opportunity is identified, there is a risk that the opportunity will not achieve targeted rates of return. The possibility of partial or total loss of capital exists with respect to any Fund, and prospective investors should not subscribe for interests in any such Fund unless they can readily bear the consequences of such loss.

### *Limited Diversification*

An investment in a fund may not be a diversified investment. Although Commonfund Asset Management allocates assets to multiple underlying funds, there can be no assurance that diversification will be achieved. A fund may invest a large percentage of its assets in securities issued by or representing a particular issuer, industry or type of security, investment strategy or type of risk exposure, without any limitation imposed by investment managers. Any such concentrations would magnify the effect of the realization of risks associated with such investments and such realizations could depend disproportionately on the performance of a small number of issuers. Such concentration could increase the risk associated with such investments, including the risk of significant loss of capital.

### *Lack of Operating History/Past Performance*

A fund may be recently formed and may not have any operating history based on which the fund's performance can be evaluated. Further, investment managers may not have a previous track record or operating history. Similarly, the past performance of a fund is not indicative of future results and no assurances can be made that profits will be realized or that losses will not occur.

### *Limited Liquidity*

An investment in a fund may provide limited liquidity since participating shares are likely not freely transferable, and may in fact be subject to substantial restrictions. Clients should recognize that it is difficult to value illiquid investments and valuation involves subjective judgment and consideration of complex factors. Further, a fund may not be able to dispose of investments in underlying portfolio funds at the time that it makes the decision to do so or when it is most advantageous for the fund because of limited withdrawal rights, which may result in significant loss of capital.

### *Limited Regulatory Oversight*

The funds in which clients invest are likely not to be registered as investment companies and in these cases clients will not be provided the protections associated with the Investment Company Act. Further, certain investment managers may not be registered under the Investment Advisers Act. As a result, clients will not be provided various protections (which, among other things may include limitations on leverage or limitations on transactions between an investment company and its affiliates) offered to more highly regulated/registered funds.

### **Risks Relating to the Fund-of-Funds Structure**

The following are certain risks related to Commonfund Asset Management's use of a "fund-of-funds" or "multi-manager" investment strategy, whereby assets are invested with third-party investment advisers or single-or multi manager funds operated by third-party asset management companies.

### *Dependence on Investment Managers*

Commonfund Asset Management invests assets principally through the Managers it selects and the success of a particular portfolio depends upon the ability of Commonfund Asset Management and those Managers to develop and implement investment strategies that achieve investment objectives determined for those strategies. Subjective decisions made by Commonfund Asset Management and/or Managers may cause a Fund or other client account to incur losses or to miss profit opportunities on which it would otherwise have capitalized. Investors also generally do not have the right or power to participate in the management of any Fund.

### *Multiple Levels of Fees*

Funds utilize a so-called “fund-of-funds” or “multi-manager” investment strategy, pursuant to which assets are generally invested with Managers. Investment management fees, which typically include both a fixed percentage of assets under management and a performance or incentive fee or allocation based on the performance of underlying investments, are charged to the Fund by both Commonfund Asset Management and each Manager. As a result, clients will bear multiple investment management fees, which may include performance fees or incentive fees, which in the aggregate will exceed the fees which would typically be incurred by an investment with a single Manager. Further, such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect.

### *Investment Managers Invest Independently*

Managers typically invest independently of one another and may at times hold economically offsetting positions. As a result, at any particular time, one Manager may be purchasing securities of an issuer whose securities are being sold by another investment Manager. Consequently, a particular fund would indirectly incur transaction costs without accomplishing any net investment result. In addition, such a fund’s portfolio turnover rate may be higher as a result. Higher portfolio turnover will result in higher transaction costs, and investors subject to tax may be required to recognize more taxable gains than if the fund were managed to limit its portfolio turnover. Furthermore, it is possible that from time to time, various Managers selected by Commonfund Asset Management may be competing with each other for the same positions in one or more markets. Similarly, while the use of multiple Managers may create the appearance of a well diversified portfolio, independent investment decisions of various Managers may result in an increase, rather than decrease, in the aggregate risk associated with a fund’s portfolio.

### **Material Risks Associated with Equity Investment Strategies**

Investments in equity securities are subject to market risks that may cause their prices to fluctuate over time. The value of equity securities may be more volatile over time than other types of financial instruments. Fluctuations in the value of equity securities will not necessarily affect cash income derived from these securities but may affect the fund’s net asset value. Set forth below is a description of additional risks associated with investing in funds employing an equity strategy.

## *Derivatives*

Derivatives are instruments which derive their value from an underlying security, financial asset or an index. One category of derivatives includes instruments such as futures contracts, forward contracts, options and swaps. These derivative instruments are used to establish market positions without transacting in the securities by which their value is measured, and often are used to adjust the risk characteristics of a portfolio of securities investments. A second category of derivatives includes securities that carry rights to other securities, such as, for example, a security convertible into some other security.

The risks associated with investing in derivatives are greater than investing in the underlying assets or securities. The primary risk of derivatives is that changes in the market value of securities held, and of derivatives relating to those securities, may not correlate perfectly. In addition, there may not be a liquid market to sell a derivative which could result in difficulty closing a particular position. Certain derivatives can magnify the extent of losses incurred due to changes in market value of the securities to which they relate. Some derivative instruments, such as those traded over the counter, are also subject to counterparty credit risk, as described below.

The prices of derivative instruments, including futures and options prices, are highly volatile. Price movements of futures contracts, forward contracts and other derivative contracts in which a fund utilizing derivatives may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and interest rate-related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

## *Counterparty Credit Risk*

A fund may be exposed to counterparty credit risks to the extent it uses over-the-counter derivatives (such as forward contracts and swap contracts), repurchase agreements, or other over-the-counter transactions. A fund may be exposed to credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default. If the counterparty defaults, the fund will have contractual remedies, but there is no assurance that the counterparty will be able to meet its contractual obligations or that, in the event of default, the fund will succeed in enforcing them. The fund, therefore, assumes the risk that it may be unable to obtain payments owed to it under over-the-counter derivatives contracts or that those payments may be delayed or made only after the fund has incurred the costs of litigation.

## *Hedging Transactions*

The use of hedging techniques could involve a variety of derivative transactions, including transactions in forward foreign currency exchange contracts, currency and interest rate swaps, and options, and short sales. While these transactions may reduce the risks associated with particular investments, the transactions themselves entail risks that are different than the other

investment strategies employed by a fund. Thus, while a hedging strategy may be overall beneficial to the performance of a particular fund, the use of hedging instruments, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the fund than if it had not entered into any hedging transactions. If there is an imperfect correlation between a hedging instrument position and a portfolio position that is intended to be protected, the desired protection may not be obtained, and result in greater risk of loss.

### *Short Selling*

In a short sale, the short seller will borrow a security and sell it into the market in anticipation that the market price will decrease in the future, so that the seller may buy back the security at a lower price to return it to the lender and realize a profit. Short selling is associated with a number of risks including the obligation to replace the security borrowed and payment of a fee to borrow the security, which would increase the cost of the security. The potential loss associated with short selling is unlimited if the price of the security continues to increase.

### *Leverage*

The use of leverage for investment purposes creates opportunities for greater total return but at the same time involves greater risk. The use of leverage will increase the volatility of investments, and can substantially increase the adverse impact to which investments may be subject. As well, in addition to the changes in the value of securities purchased with borrowed funds, the amount of borrowings and the level of interest rates on those borrowings may have a marked effect on investment performance and under particular circumstances, could cause a total loss of capital.

### *Small Capitalization Companies*

The securities of small capitalization and recently organized companies tend to be more volatile in price and more difficult to value than those of larger capitalized, more established companies. Such companies have limited product lines, distribution channels, financial and managerial resources and may face more intense competition than larger companies. The securities of such companies are also generally less liquid.

### *Risk Arbitrage*

Risk arbitrage is an extremely competitive investment strategy and competition amongst various firms employing such a strategy tends to narrow the spread between the price at which a security is purchased and the price received upon consummation of the transaction. Given that an arbitrage investment strategy seeks to profit from changes in the price of securities in extraordinary corporate transactions, the difference between the price paid by an investment manager for securities of a company involved in an announced extraordinary transaction and the anticipated value to be received for such securities upon the consummation of such a transaction will generally be very small. If the proposed transaction appears likely not to be consummated, or is delayed, the market price of the securities will decline sharply.

## **Material Risks Relating to Fixed Income Instruments and Investment Strategies**

The two main risks related to fixed income instruments and strategies are interest rate risk and credit risk. Typically, during periods of falling interest rates, the value of fixed income securities rises. Conversely, during periods of rising interest rates, the value of such securities declines. Generally all fixed income securities are subject to credit risk, which varies depending on issuers' ability to pay the interest and principal on their outstanding obligations.

A fund's fixed-income investments may also be subject to pre-payment risk. Pre-payment risk occurs when an issuer repays the principal on an obligation earlier than expected. This pre-payment may adversely impact the investment objective of a fund. As with other investment strategies, there may not be a liquid market for the fixed income securities in which an investment manager invests, which impacts the ability to sell these securities when it is most advantageous for a fund.

### *Asset-Backed Securities*

Asset-backed securities are structured securities that are backed by another asset. The structure of an asset-backed security typically is highly complex and involves a high degree of leverage, and therefore these types of securities generally pose a higher degree of risk than other types of fixed income securities. Asset-backed securities are inherently more volatile than many other types of fixed income assets. This volatility derives in part from the difficulty in pricing these securities. Asset-backed securities are also associated with pre-payment risk.

### *Mortgage-backed securities*

Mortgage-backed securities are a type of asset-backed security that are secured by a mortgage or collection of mortgages. The general risks associated with asset-backed securities also apply to mortgage-backed securities, including pre-payment risk. Like fixed income securities in general, mortgage-backed securities are subject to market risk and will generally decline in price when interest rates rise.

### *Investment Grade Securities*

Investment-grade fixed income securities are sensitive to economic changes and their prices may fluctuate even if the issuer's capacity to repay its obligations remains unchanged.

## **Special Risks of Certain Markets**

### *Currency Risk*

The fluctuation of exchange rates between the U.S. dollar and foreign currencies may adversely affect all types of investment strategies. Currency risk is a significant concern in foreign investments because changes in exchange rates may nullify any gains produced by foreign currency investments.

### *U.S. Government Securities and Foreign Government Securities*

U.S. government securities are subject to varying degrees of credit risk. The prices of investments in U.S. government securities are subject to market risk and their market values fluctuate in response to changes in interest rate and other market forces. For example, a client's investment in U.S. government securities may fall during times of rising interest rates and conversely, may rise during times of falling interest rates. Yields on U.S. government securities tend to be lower than those of corporate securities of comparable maturities.

Similar to U.S. government securities, foreign government securities have different kinds of government support and, therefore, are subject to varying degrees of credit risk as a result of financial or political instability in foreign countries and the possible inability of an investment manager to enforce its rights against the foreign government issuer. As with other fixed income securities, sovereign issuers may be unwilling or unable to make timely principal or interest payments. Like U.S. government securities and other fixed income securities, foreign government securities are subject to market risk. Also similar to U.S. government securities, yields on foreign government securities tend to be lower than those of corporate securities of comparable maturities.

### *Non-U.S. Investments*

Investing in the securities of companies (and, from time to time, governments) of non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. As well, inflation and fluctuations in inflation rates may have a negative impact on the securities of certain non-U.S. companies.

### *Emerging Market Investments*

The risks of non-U.S. investments described above apply to an even greater extent to investments in emerging markets. The securities markets of emerging countries are generally smaller, less developed, less liquid, and more volatile than the securities markets of the U.S. and developed foreign markets. Disclosure and regulatory standards in many respects are less stringent than in the U.S. and developed foreign markets. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations has been extremely limited.

### **Material Risks Relating to Distressed Strategies**

Investing in the securities of distressed companies is highly risky. The market price of such securities is subject to extreme volatility and such securities are more reliant on market timing than other types of securities. A distressed investment strategy focuses on the purchase or sale of credit obligations of companies in a weak financial condition, experiencing poor financial or operating results or that are involved in bankruptcy or reorganization proceedings. Thus, these

companies may not show any returns for a lengthy time period or ever. Investments in these types of companies can involve substantial financial risks, including total loss.

A fund employing a distressed strategy may invest in below investment grade fixed-income securities such as commercial paper and high yielding debt securities. These securities face ongoing uncertainty and exposure to adverse business, financial or economic conditions which could lead to an issuer's inability to meet timely interest and principal payments. As well, below investment grade fixed-income securities reflect individual corporate events to a greater extent than do higher rated securities. Companies issuing these securities are also highly leveraged and any economic downturn could adversely impact the ability of the issuer of such securities to repay principal and pay interest and thereby increase the risk of default for such securities.

#### *Risks Associated with Bankruptcy Cases*

The securities of a particular fund employing a distressed strategy may be issued by companies that have filed for bankruptcy, or that file for bankruptcy after the securities are acquired. Bankruptcy proceedings are adversarial and there are many unanticipated events that can occur. There is no guarantee that a bankruptcy court will approve actions which may be favorable to a fund. Further, there is a possibility that the fund's claims could be subordinated to the claims of other claimants.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a fund's influence with respect to a class of securities can be lost by the increase in the number and amounts of claims of the class.

In many instances, the duration of a bankruptcy case can only be roughly estimated and bankruptcy cases often last for long periods of time. This can have an adverse impact on a company's business and if a company is forced to dispose of assets, the value realized on the disposition of assets might be less than if the assets were disposed of outside of the bankruptcy context.

A fund employing a distressed strategy may purchase creditor's claims after the commencement of bankruptcy proceedings. Therefore, it is possible that a bankruptcy court may refuse to allow such acquired claims to be voted in connection with a plan of reorganization where it determines that such claims have been acquired for an improper purpose.

#### *Distressed Investments in Non-U.S. Markets*

In addition, distressed investments in non-U.S. markets may be associated with additional risks. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations which could have substantial impact on non-U.S. dollar denominated debt securities. There may also be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements. Lower quality information and reduced

transparency may make it more difficult to select and manage investments in non-U.S. markets and many securities traded on these markets are less liquid and their prices more volatile than securities of comparable United States companies.

Investments in distressed companies outside the U.S. may involve additional risks; the bankruptcy laws of such countries are likely to differ and the process of liquidation may be uncertain or under-developed. Overall, it may be difficult to enforce creditor's rights in a foreign jurisdiction as compared to the U.S. Although most European and many Asian legal systems recognize basic commercial relationships and rights, some lack the extensive body of law and practice normally encountered in developed market environments. Similarly, laws and regulations in emerging markets can change quickly and unpredictably and attempts at judicial enforcement of judgments, laws or regulations may be associated with significant delays. In some cases, foreign courts may give preferential treatment to domestic claimants over foreign claimants, including U.S. claimants.

### *Risk of Litigation*

Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may involve substantial litigation. The risk of litigation becomes greater where investment managers exercise control over a company's direction. The expense of defending against claims by third parties would thus be borne at least partially by the fund.

### **Material Risks Related to a Commodities Investment Strategy**

Commodity prices are highly volatile and thus such investments can quickly become risky. Commodities futures are influenced by changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary and exchange control programs of governments; U.S. and foreign political and economic events and policies; changes in national and international interest rates and rates of inflation; currency devaluations and changes in the marketplace. The low margin deposits required in commodities trading means that a small movement in the market price of a currency interest may result in a large profit or loss.

A fund employing a commodities strategy gains exposure to commodities through investing in derivative instruments, such as swaps, options, futures and forward contracts. The returns on swaps vary directly with advances or declines in the commodities markets as reflected in commodities indices. A fund may also buy and sell options and trade futures and forward contracts relating to commodities. The value of derivative instruments may vary with changes in the referenced commodity values. These instruments can be highly volatile and the risks associated with advances or declines are amplified to the extent such instruments are used to obtain market exposures in excess of assets invested.

The risk of investing in commodities is also intensified in the case of foreign markets and issuer. Foreign markets may be less stable, smaller, less liquid, less regulated and have higher trading costs than U.S. markets. As well, adverse changes in investment and exchange control regulations may adversely affect commodities traded on foreign markets.

Investment managers' allocation of assets and their judgments about the markets, the economy, commodities and/or companies may not anticipate actual market movements, economic conditions or commodity and/or company performance, and may increase any losses.

### **Material Risks Related to Marketable Alternatives Investment Strategies**

Funds utilizing a marketable alternatives strategy have broad flexibility in their investment mandates and may utilize a variety of investment strategies, including equities, fixed income, commodities, currencies and interest rates. Investments may be long or short, employ leverage, have limited liquidity and may be made outside the U.S. Additionally, such funds may use derivative or synthetic instruments either to express directional market views or to offset risks of other investments in their portfolios. Marketable alternative strategies are often highly complex; this complexity increases the difficulty of obtaining full transparency for underlying exposures, assessing risk and valuing positions, which in turn can lead to increased market volatility. Additionally, there can be no assurance that hedging transactions, if any are undertaken, would fully protect a client against such risks.

### **Material Risks Associated with Real Estate Investment Strategies**

#### *Real Estate Market Investments*

A real estate market investment strategy is significantly affected by the performance of the real estate markets. Real property investments are subject to varying degrees of risk. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, regulatory, zoning or technological developments. The price of real estate company shares also may drop because of the failure of borrowers to pay their loans and poor management. Many real estate companies utilize leverage, which increases investment risk and could adversely affect a company's operations and market value in periods of rising interest rates, as well as risks normally associated with debt financing. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values also may be adversely affected by such factors as applicable laws, interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by a real estate company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited.

Real property investments are also subject to risks which are specific to the investment sector or type of property in which the real estate companies are investing. For example, retail and office properties may be affected by a downturn in the businesses operated by their tenants,

obsolescence and non-competitiveness. In contrast, hotel properties are affected by the demand in travelers and tourism and tend to be more sensitive to adverse economic conditions and competition than many other commercial properties.

### *Complex Investment Strategies*

A Manager utilizing a real estate investment strategy may use proprietary investment strategies that are highly complex and differ from other more traditional types of investment strategies. The strategies employed by Managers investing primarily in real estate markets may involve significantly more risks and higher transaction costs than more traditional investment methods.

### *Insurance Issues*

Certain of the real estate companies may carry comprehensive liability, fire, flood, earthquake, extended coverage and rental loss insurance with various policy specifications, limits and deductibles. Should any type of uninsured loss occur, the real estate company could lose its investment in, and anticipated profits and cash flows from, a number of properties, which, as a result, would adversely affect a fund's investment performance.

### *Environmental Issues*

A real estate company's ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances may expose the company to liability under applicable law for removal or remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such real estate company and may adversely affect a fund's investment performance.

### *Competition*

Competition among REIT-related investors is significant, and a fund utilizing a real estate investment strategy will compete with other investment advisory and securities firms, private investment firms, risk arbitrage funds and institutional investors, many of which will have greater financial resources than the Fund. While a firm's size does not necessarily determine its ability to manage various risks, it does influence the ability of to absorb losses and to take greater investments risks.

### *Possible Lack of Suitable Investments*

Due to the nature of real estate securities, which may not be sold by new issuers because of the fluctuating nature of securities market and interest rates, an investment manager of a fund employing a real estate investment strategy may not be able to invest fully all of the capital of the fund. This may adversely affect overall return of the fund.

## **Material Risks Related to Outsourcing Services**

### *Portfolio Objectives May Not Be Met*

There can be no assurance that Outsourcing Clients will meet their investment goals, either in the short or long term.

All investments involve the risk of loss of principal, income or both. Each investment strategy employed within an outsourcing portfolio is subject to the risks discussed in the portion of this Form ADV relating to such strategy and in the relevant offering documents of each Fund.

Institutional investors responsible for portfolios with a perpetual duration face a difficult challenge if they seek to permit periodic spending from the portfolio while maintaining or increasing the ultimate purchasing power of the portfolio (which has been described as preserving “intergenerational equity”). Historical data suggests that portfolios with a traditional mix of U.S. equity and fixed income exposure have not generally maintained intergenerational equity since the 1960s (except for brief periods of time) when adjusted for inflation and for an annual spending rate of 5 percent. The impact of investment management fees and other portfolio costs make this goal even more difficult to attain.

Commonfund Asset Management employs its Allocation Planning Model, or “APM,” as well as other analytic tools, to assist Outsourcing Clients in thinking about the risks that their fundamental investment objectives may not be met. Detailed disclosure concerning the methodology employed by the APM (or such other tools), as well as the limitations of such tools, is provided to each client who receives their output. Clients should review this disclosure with care. While they can provide a useful framework for analysis, such tools cannot predict future investment results, and assumptions built into such models (which are generally based on historical behavior of different categories of investments) may prove to be inaccurate.

### *Asset Allocation Risks*

Commonfund Asset Management’s recommendations with respect to allocations to asset classes, or adjustments to those allocations, are formulated to take into account a client’s investment objectives and policies, as well as its risk tolerances. However, all such recommendations are based to varying degrees on Commonfund Asset Management’s view as to future characteristics of the asset class in question, which may prove to be incorrect. These might relate to performance, but might also relate to correlation to other asset classes, the liquidity offered by investments in such asset classes, the volatility exhibited by such investments, and other characteristics

### *Investments May Become Correlated*

Commonfund Asset Management will normally seek to diversify an Outsourcing Client’s investment portfolio, both among and within allocations to different asset classes. One of the potential benefits of such diversification is exposure to investments that are not highly correlated to one another. Correlation is a statistical measure of the degree to which the prices or values of different investments move together. Measurement of correlation is by necessity backward-

looking, in that it reflects only historical behavior of the investments being measured. It should be understood that investments that have exhibited low correlation in the past may become more highly correlated, particularly during major market dislocations. For example, during the financial crisis that unfolded globally in 2008, many investments thought not to be highly correlated fell in tandem. During such periods, diversification did not provide anticipated protection against market losses.

### *Investments in Funds Present Certain Potential Conflicts*

As specified in the investment management agreements governing many outsourcing portfolios (and in particular the Strategic Solutions portfolios), and in the investment guidelines agreed to with the Outsourcing Client who own those portfolios, all or a significant portion of those portfolios may be expected to be invested in Commonfund Group Funds. Certain Commonfund Group Funds may permit investment only by Outsourcing Clients; in these cases, the conflicts discussed below will be attenuated, if not absent.

Investment in Commonfund Group Funds by outsourcing portfolios may present one or more of the following potential conflicts of interest:

1. Fees Charged by Commonfund Group Funds. Commonfund Asset Management, either directly, or indirectly through its affiliation with other entities within Commonfund Group, has a business interest in the fee revenue generated by each of the Commonfund Group Funds. These fees are borne by, and are fully disclosed to, Outsourcing Clients that are placed in Commonfund Group Funds.
2. Outsourcing Clients May Account for a Significant Percentage of the Assets of a Commonfund Group Fund. In certain cases, assets from Outsourcing Clients might constitute a significant portion of the total assets invested in a Commonfund Group Fund. In such cases, the ability of Commonfund Asset Management to effect a redemption from a Commonfund Group Fund of all or a large percentage of the assets of its Outsourcing Clients might be restricted or delayed, given that the fund might not be able to raise the necessary liquidity in a manner that does not cause losses or negatively impacts other investors remaining in the fund.
3. Commonfund Group Funds Might Underperform. Of course, a given Commonfund Group Fund might not perform as well for a given time period as might investment options offered by unaffiliated Managers.

### *Portfolio Level Liquidity Risks*

Although portfolios of Outsourcing Clients will generally be well diversified, it is possible that in certain investment environments that those portfolios as a whole will not be able to meet cash distribution requirements expected by such clients, in particular those of long-term endowment or similar pools with pre-established spending formulae. For example, during the financial crisis of 2008 and 2009, many hedge funds and other alternative asset investment vehicles restricted redemptions. Many institutional investors with significant allocations to, for example, alternative assets found themselves unable to meet the distribution requirements of their

spending formulae without selling other investments on disadvantageous terms. In such an environment, Outsourcing Clients could experience similar difficulties.

### **Certain Risks Associated with Underlying Manager Funds**

Commonfund Asset Management may invest the assets of its Outsourcing Clients in funds managed by third-party Managers. The various risk factors associated with these underlying funds are described further in their respective offering documents.

### **ADV Item 9 -- Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Commonfund Asset Management's advisory business or the integrity of Commonfund Asset Management's management.

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

#### *Relationships with Related Persons*

Commonfund Capital is 100 percent owned by Commonfund (through an intermediate holding company, which is also 100 percent owned by Commonfund). Please see the Introduction to ADV Item 4, *Commonfund Capital's Investment Advisory Business*, earlier in this Brochure for a general description of Commonfund.

Another subsidiary of Commonfund that is affiliated with Commonfund Asset Management is Commonfund Securities, Inc. ("CSI"), which is registered with the SEC as a broker-dealer and is a member of FINRA.

CSI provides placement services and client service to Commonfund Asset Management and other members of Commonfund Group. It does not maintain brokerage accounts or engage in trading activities. Neither Commonfund Asset Management nor any of its other affiliates charge current or prospective investors or funds managed by them directly for placement services provided by CSI. Registered representatives of CSI are compensated in part on the basis of net new assets they generate for the Commonfund organization, although none of these incentives are based on assets raised for any individual fund or investment program, and these incentives are paired with others based on factors including client retention.

#### *Our Affiliated Advisers*

As previously discussed, Commonfund Asset Management is affiliated through common control and ownership with the following advisory firms:

- Commonfund Capital, Inc. – registered investment adviser (SEC)
- Commonfund Realty, Inc. – registered investment adviser (SEC)

Each of these companies, like Commonfund Asset Management, is 100 percent owned by Commonfund (through an intermediate holding company).

Commonfund Asset Management may advise that its Outsourcing Clients invest assets in Affiliate Funds managed by Commonfund Capital, Inc. or Commonfund Realty, Inc. Each of these investment advisers has produced its own Investment Adviser Brochure, which will be provided to all investors in programs managed by these entities.

### *Other Registrations*

Commonfund Asset Management and its management persons, as applicable, maintain the following registrations:

- Commodity Pool Operator (National Futures Association)
- Portfolio Manager, Foreign Adviser (Ontario Securities Commission)
- Registered Foreign Institutional Investor (Securities and Exchange Board of India)

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

Commonfund Asset Management has adopted a Code of Ethics (the “Code” or the “Code of Ethics”) that summarizes Commonfund Asset Management’s business ethical standards and is designed to monitor and prevent potential conflicts of interest. Various policies have been implemented based on the principals contained in the Code, several of which are described in this section.

A copy of the Code will be furnished to investors upon request. Investors may request a copy of the Code by contacting Commonfund Asset Management at the address or telephone number listed on the cover page of this Brochure.

The Code of Ethics requires all employees and principals engaging in personal securities transactions to seek, subject to a few exceptions, pre-trade approval by Commonfund’s Compliance Department. The Code also requires employees’ to provide initial and annual holdings reports as well as post-trade reporting and trade confirmation to the Compliance Department. Commonfund Asset Management also maintains insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information by Commonfund Asset Management, its principals and employees and their affiliates.

The Code of Ethics also requires disclosure to, and monitoring by compliance of, other activities or interests that may present actual or potential conflicts of interest including gifts, inducements, and entertainment, outside business activities and service on corporate boards of directors.

The Code also requires that all Commonfund Asset Management’s employees and principals promptly report suspected violations of the Code to the Compliance Department and certify their compliance with the Code and the Insider Trading Policies on a periodic basis.

A copy of the Code will be furnished upon request. Investors may request a copy of the Code by contacting Commonfund Asset Management at the address or telephone number listed on the cover page of this Brochure.

More information about the conflicts of interest associated with Commonfund Asset Management’s asset management activities can be found in Item 6.

## **ADV Item 12 -- Brokerage Practices**

### *Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions; Soft-Dollar Practices*

Commonfund Asset Management’s objective in all trading associated with its direct management activities is to obtain “best execution.” Commonfund Asset Management believes that best execution principally entails seeking the best terms reasonably available given the circumstances of a trade. Terms are a combination of explicit costs (commissions) and implicit costs (market impact, trading delay and opportunity cost). Accordingly, Commonfund Asset Management considers that in addition to commission levels, best execution entails such factors as reliability and accuracy of execution; speed of execution; counterparty risk; and knowledge of market conditions.

Commonfund Asset Management may place portfolio transactions for its clients with brokers that Commonfund Asset Management believes can satisfy its obligation to seek best execution even in cases in which those brokers do not charge the lowest available commissions. In certain cases, these brokers may provide Commonfund Asset Management with research services. Such research may be provided in various different formats, including computer-generated or electronically transmitted data, written reports, and telephone contacts and personal meetings with securities analysts, and may relate to securities issuers (including commingled funds) or market, economic or investment developments and trends. In selecting brokers, Commonfund Asset Management will endeavor to attach lowest priority to embedded research. In making its best execution determinations, Commonfund Asset Management will not take into consideration research services to the extent that they provide economic benefits or cost reductions only to it or its affiliates. However, Commonfund Asset Management will not be in a position to assure that each of its clients will benefit from research services at a level that is commensurate to brokerage costs from any such brokers that are borne by it. Commonfund Asset Management will not knowingly enter arrangements whereby brokers pay third-party costs (including third-party research costs) that would otherwise be payable by Commonfund Asset Management. Commonfund Asset Management will only accept research services of the type described in this subsection directly from brokers. In selecting brokers, Commonfund Asset Management will endeavor to attach lowest priority to embedded research. Commonfund Asset Management will endeavor to insure that any research arrangement with a broker complies not only with the above policies, but with the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934.

### *Brokerage Practices: Manager-of-Manager Activities*

As previously explained (see the Introduction to Item 4, *Commonfund Asset Management's Investment Advisory Business*), Commonfund Asset Management engages principally in “manager of manager” advisory activities, as well as certain direct management advisory activities.

With respect to its manager of manager activities, Commonfund Asset Management delegates to its sub-advisers the discretion to select brokers on behalf of the portfolios managed by such sub-advisers. Commonfund Asset Management retains the right to direct sub-advisers not to use particular brokers. Commonfund Asset Management reviews other policies of its sub-advisers with respect to brokerage and best execution prior to engaging them, and periodically during their retention. Commonfund Asset Management also employs analytical tools to review the quality of execution obtained in its investment funds.

### *Trade Allocation*

Trades entered on behalf of more than one fund client that, in the aggregate, fail to fill the trading instructions, will to the maximum extent practicable be allocated pro-rata based on the respective capital of each fund devoted to the strategy for which such trades are being affected.

Should pro-rata allocation not be practicable (because, for example, certain securities may not be purchased or sold in amounts that permit pro-rata division), Commonfund Asset Management will employ rotational allocation, or other means approved by counsel that do not result in more favorable treatment of any fund or funds than is experienced by any other fund or funds.

### *Trade Aggregation*

Where it will permit the execution of transactions in a more timely and efficient manner, or reduce the overall commission charges to fund clients, it is Commonfund Asset Management's policy to aggregate or block transactions on behalf of fund clients, provided that no fund is favored over another. In these instances, fund clients will receive an average share price, and transaction costs will be allocated pro-rata based on the share allotment.

### **ADV Item 13 -- Review of Accounts**

Commonfund Asset Management is responsible for the review of each client's account and overseeing the investment process associated with the strategies employed by such client account. Responsibility for each client account's review is assigned to the investment team primarily responsible for the management of such client account. Each such investment team comprises a senior Commonfund Asset Management investment professional who supervises such team's activities, including the review of client accounts.

### *Periodic Review*

All accounts are reviewed by the respective investment teams on a regular basis and no less than monthly. The triggering factors that are considered during a review include adherence to Commonfund Asset Management's (as well as the Managers') investment policies and guidelines; performance relative to comparable funds; absolute performance; adherence to investment goals; diversification and other risk management criteria; risk tolerance, time horizon and asset class performance.

Investors in Funds and Outsourcing Clients generally receive monthly account statements depicting net assets and performance; and quarterly reports including commentary on investment performance. Fund investors (including Outsourcing Clients invested in Funds) also annual reports that general include audited financial statements.

### *Client Reports*

Commonfund Asset Management provides written reports on a periodic basis in accordance with the applicable offering documents or other written agreements with our clients. Such reports generally provide, typically on an annual basis, audited information with respect to portfolio holdings, performance and transactions. Additionally, clients generally receive, typically on a quarterly basis, written unaudited account performance reports.

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

Commonfund Asset Management does not directly compensate any entity for client referrals. It has arrangements with Commonfund Securities, Inc. ("CSI"), an affiliated broker-dealer, to solicit interests in Commonfund Asset Management's advisory services. Commonfund Asset Management compensates CSI for its placement activities by means of a consolidated, firm-wide revenue sharing arrangement. CSI's compensation for its placement activities will not be borne, directly or indirectly, by any Commonfund Capital Fund or investor therein.

Commonfund Asset Management may recommend that clients invest short term cash in money market mutual funds organized by independent, third party investment managers and funds. Commonfund Asset Management's affiliate CSI may receive distribution fees from such funds or managers.

See also Item 12, *Brokerage Practices*.

### **ADV Item 15 -- Custody**

Commonfund Asset Management is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the

provisions of the so-called “Pooled Vehicle Annual Audit Exception,” which, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year (180 days in the event of a Fund that is a fund of funds.)

## **ADV Item 16 -- Investment Discretion**

### *Investment Discretion*

In the case of Strategic Solutions clients or separate accounts, Commonfund Asset Management may exercise investment discretion to determine the securities bought or sold, or the funds to be invested in and the amounts of such investments, as determined by the advisory agreements with each such client. Commonfund Asset Management may agree in such an advisory contract that it will employ reasonable efforts to comply with investment restrictions or guidelines established by such client and agreed to by Commonfund Asset Management. Commonfund Asset Management will also manage such accounts on a non-discretionary basis, meaning that although it will make recommendations to clients with respect to investment transactions, it will not execute them without prior written approval by the client.

In the case of Funds, Commonfund Asset Management possesses investment discretion, both with respect to investments with Managers and with respect to investments managed directly by Commonfund Asset Management. Particular Funds may be subject to investment guidelines, which are described in the offering documents relating to that Fund, and the Endowment Funds offered by Commonfund for its member educational organizations (which are advised by Commonfund Asset Management) are subject to the restrictions and rules described in Commonfund’s disclosure pamphlet, *Information For Members*.

Both in the case of separate accounts and Funds, Commonfund Asset Management will generally provide investment discretion to Managers hired by it. In the case of separate accounts with Managers, investment discretion will normally be subject to investment guidelines and restrictions established in the advisory agreement with that Manager. In the case of investments in commingled investment funds offered by Managers, each such Manager’s investment discretion may be broad, and any guidelines or restrictions that apply to such Manager will be established for the Manager’s fund as a whole, and not by Commonfund Asset Management as an individual investor.

### *Claims on Behalf of Clients*

Commonfund Asset Management’s discretionary investment authority does not normally give it power of attorney to commence legal proceedings on behalf of client separate accounts (although it may do so on behalf of the Funds). It is not Commonfund Asset Management’s practice to initiate lawsuits on behalf of individual clients.

Commonfund Asset Management does have the discretion to participate in class action claims, claims for bankruptcy proceeds, and similar types of claims relating to investment assets held by Funds or its institutional clients. Commonfund Asset Management will employ its reasonable

best efforts to process these claims, or cause its Managers to do so, to the extent it has been notified of the relevant proceedings or is otherwise aware of their existence.

## **ADV Item 17 -- Voting Client Securities**

### *General Proxy Voting Policy*

Where it has the responsibility to vote proxies on equity securities managed by it (discussed further below), Commonfund Asset Management's general policy is to vote proxies so as to maximize investors' long-term gains and that conflicts of interest, actual or potential, relating to proxy voting are resolved in the best interest of investors. Commonfund Asset Management will provide a copy of its Proxy Voting Policy to investors upon request. An investor can obtain information on how Commonfund Asset Management voted proxies for the applicable Fund by contacting the investor's Commonfund Relationship Officer.

When exercising its voting authority over client securities, Commonfund Asset Management considers all relevant information, evaluates other issues that could have an impact on the value of the security and votes with a view toward maximizing overall long-term investor gains. Commonfund Asset Management votes all proxies in a prudent manner, considering the prevailing circumstances at such time and in a manner consistent with the Proxy Voting Policies and procedures and Commonfund Asset Management's fiduciary duties to its clients. In some instances, such as in the event of a conflict of interest, Commonfund Asset Management may determine that it is in the client's best interest for Commonfund Asset Management to "abstain" from voting or not to vote at all, and will do so accordingly.

### *Policies Applicable to Funds*

Unless otherwise provided in any Fund's governing documents, Commonfund Asset Management has the authority and discretion to vote any equity securities held directly by the Funds on matters relating to the issuers of such securities, whether by proxy or otherwise (such voting being referred to as "proxy voting"). However, a preponderance of the Funds' assets are invested with Managers. In the case of assets invested through separate accounts with Managers, Commonfund Asset Management has generally delegated its authority and discretion to vote proxies to the Managers of those accounts, consistent with its general policy of seeking to maximize investors' long-term value. In the case of Fund assets that are invested in underlying funds operated by Managers, Commonfund Asset Management generally does not possess any right to vote equity securities that are owned within the investment portfolios of such underlying funds (that right generally belonging instead to the Manager). Instead, the Fund owns interests in the Manager funds themselves, and only possesses such voting rights as may be provided to shareholders of or investors in those Manager funds. In the event that an underlying Manager fund asks its investors to vote on a matter relating to the governance of that fund, Commonfund Asset Management would have the discretion and authority to vote that proxy.

### *Policies Applicable to Outsourcing Clients*

As a general matter, Commonfund Asset Management's responsibilities with respect to Outsourcing Clients do not include the selection of individual portfolio securities except those issued by commingled investment funds. Commonfund Asset Management does not assume responsibility for voting proxies, or for supervising the voting of proxies, associated with securities other than those selected with its advice. Accordingly, the only proxies received by or for Outsourcing Clients for which Commonfund Asset Management may be responsible are those issued by Commonfund Funds or investment funds operated by Managers.

Upon receipt of a proxy from a Manager fund, Commonfund Asset Management will cause its investment personnel responsible for the investment in the fund to study the proxy and to confer with counsel if appropriate, and then to vote the proxy in accordance with the principles described in the foregoing paragraph.

### *Conflicts of Interest*

Prior to exercising its voting authority, Commonfund Asset Management, in consultation with the Proxy Control Officer, reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Commonfund Asset Management, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, Commonfund Asset Management takes steps to ensure that its voting decision is based on the best interests of the client. Commonfund Asset Management may, at its discretion, (A) disclose the conflict of interest to the client and defer to the client's voting recommendation; (B) defer to the voting recommendation of an independent third party provider of proxy voting services; and/or (C) take such other action in good faith (in consultation with Commonfund Asset Management's Chief Compliance Officer, General Counsel or advisory committee that has been constituted by Commonfund Group which would serve the best interest of the client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

### **ADV Item 18 -- Financial Information**

Commonfund Asset Management does not require the advance payment by any client of fees in excess of \$1,200 per year, and so is not obligated to provide certain financial information discussed in Item 18 of Part 2A of Form ADV.

Audited consolidated financial statements for Commonfund and its subsidiaries (including Commonfund Asset Management) are made available to all Commonfund Group investors and clients each year, via a password-protected portion of Commonfund's website ([www.commonfund.org](http://www.commonfund.org)). If your institution needs to obtain a password, please contact your Commonfund Relationship Officer.

We are not presently aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

**ADV Item 19 – Requirements for State-Registered Advisers**

Item 19 is not applicable to Commonfund Asset Management.