



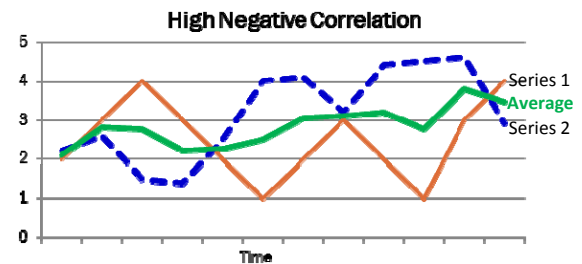
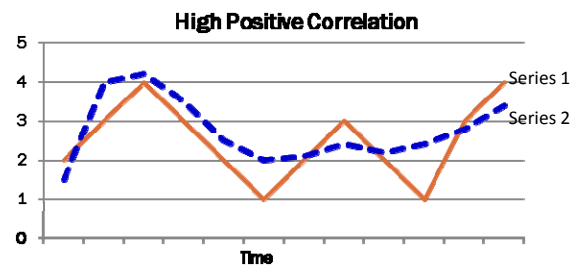
The Role of Alternative Assets in a Long-Term Portfolio: A Guide to Alternative Investments

Guest Presenters:
Tom Orecchio
Mark Willoughby
Guy Barudin

The Foundation of Prudent Investing is Diversification

Diversification is all about choosing assets based on their returns, risks, and importantly, on their correlation (do they “zig” and “zag” together or not)

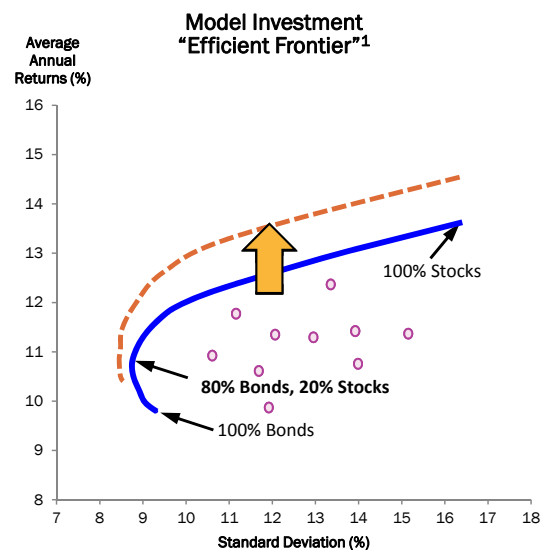
- When values tend to rise or fall together, series are said to be **correlated**
 - Series 1 and 2 always move in the same direction: Correlation=1.0
 - Series 1 and 2 always move in the opposite direction: Correlation= (-1.0)
 - Series 1 and 2 are independent: Correlation=0.0
- Combining uncorrelated assets into a portfolio is the essence of diversification
- A mix of uncorrelated assets helps to smooth volatility
- Adding high return, uncorrelated assets should boost proforma returns without increasing volatility (historic data confirms)



Over the Long Run, Stocks and Bonds Have Been Uncorrelated

Historical data shows that combinations of debt and equity provided better risk-adjusted choices (the “Efficient Frontier”) than stocks or bonds on their own.

- Investors can diversify by asset class (e.g. stocks versus bonds) and within asset classes (e.g. different types of stocks)
- “Standard Deviation”: 95% data with 2 SD’s from the average in standard “normal” data
 - A proxy for “risk”
- Typical categories for allocation include:
 - Bonds
 - Long, medium, short-term maturities
 - Government, corporate, non-US
 - Stocks
 - Large, mid-size, small capitalization
 - Growth versus value
 - International versus US
- Art: What will returns and correlations be prospectively?

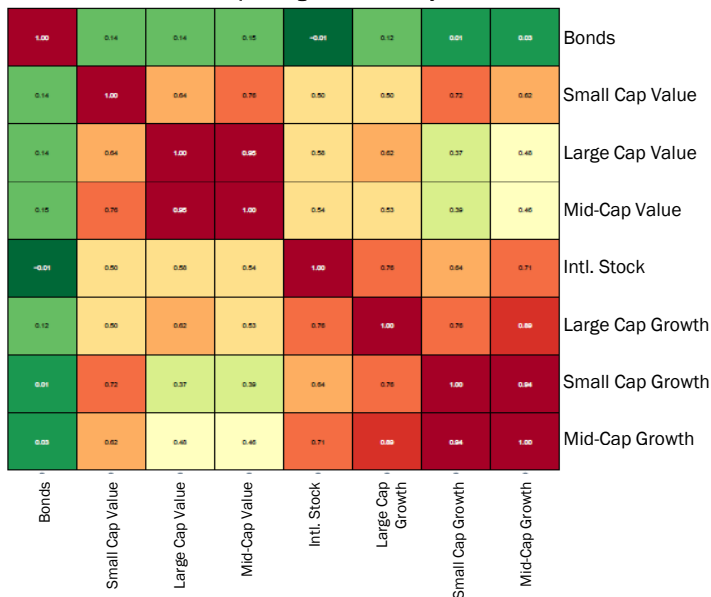


(1) Source: Ibbotson Associates data from 1926 to 2010, average annualized return and standard deviation. Theoretical upper frontier for illustrative purposes only, assumes a 1% improvement in returns for a given level of risk on the historic efficient frontier. For additional definitions and background on terms and concepts, see the Appendix.

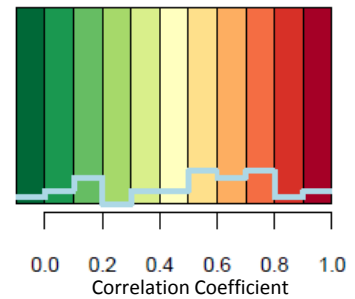
Asset Correlation Is Frequently Viewed in a *Correlation Matrix*

The chart, commonly referred to as a “Heat Map,” graphically shows asset categories with higher or lower correlation by color; “stocks” and “bonds” - historically uncorrelated.

Correlation Heat Map¹, August '96 – July '01

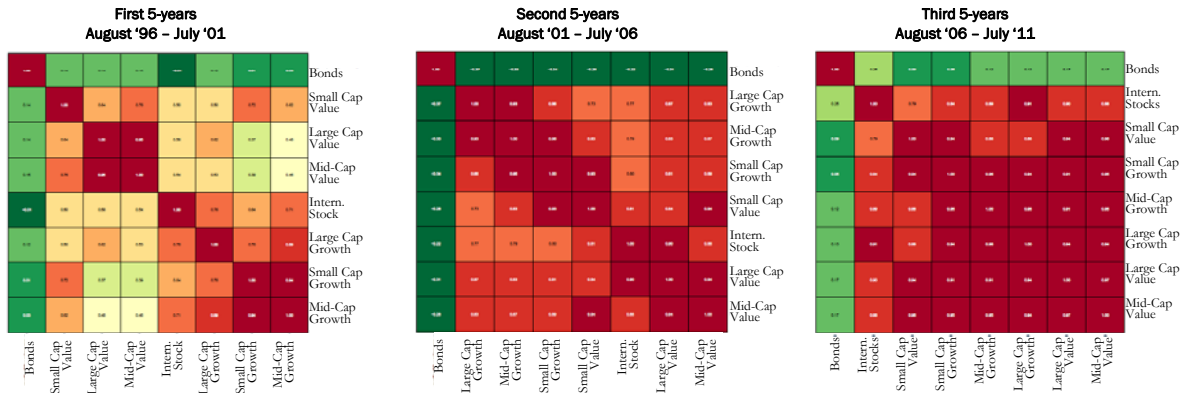


Color Key and Distribution

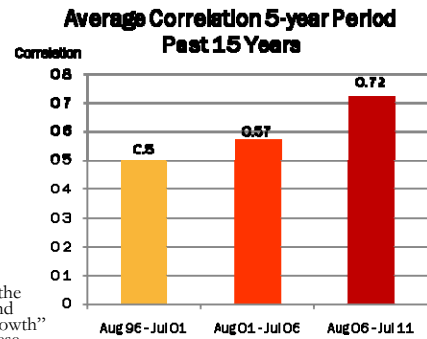


(1) Source: Pertrac Financial Solutions database, Terrapin Asset Management analysis. Bonds: Barclays Aggregate Bond Index. Small, Mid-Cap, Large Cap equity indices from Russell 2000, Mid-Cap, and 1000 indices respectively. “Intl. Stock” is the MSCI EAFE Index. See “Definitions” for detailed information on sector definitions.

Traditional Asset Classes Appear to be Increasingly Correlated



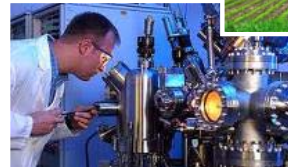
- Data indicates average correlation among traditional stocks and bonds has increased⁽¹⁾
- Careful attention must be paid to capture the benefits of diversification during challenging times
- With traditional assets growing more correlated, how can investors find increased diversification?



(1) Source: PerTrac Financial Solutions database and Terrapin Asset Management analysis. In the heatmaps above, "Bonds" is the Barclay Aggregate Bond Index, "Small Cap," "Mid-Cap," and "Large Cap" are the Russell 2000, Russell Midcap, and Russell 1000 Index, "Value" and "Growth" sub-indices, as indicated. "International Stock" is the MSCI EAFE Index. For details on these indices, please see the Appendix.

“Alternative Assets” Can Further Expand and Enhance Investors’ Portfolios

- Alternative Assets are asset classes typically available as private funds or unlisted investments. Examples include:
- Private Investments
 - Real Assets like buildings and land, natural resources, or plant & equipment or
 - Private Companies, either start-ups or mature businesses
- Hedged Strategies
 - Investments in long/short stocks and bonds, options, futures, currencies, derivatives, and other diverse securities through private partnerships or registered funds

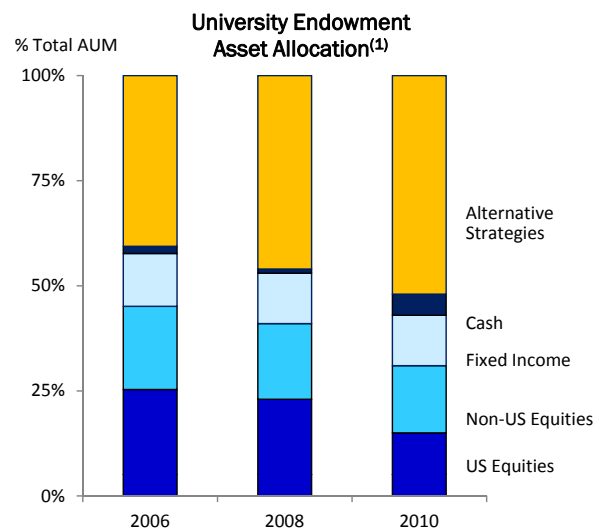


Many Sophisticated Long-Term Investors Allocate Heavily to Alternatives

Why do endowments and foundations put so much weight on alternatives?

(1) Preservation of Capital, and (2) Enhanced Risk/Return Choices

- College endowments, pensions, and foundations focus on safeguarding resources for the future of their institutions and stakeholders
- They can tolerate some long-term illiquidity
- They expect high returns and lower volatility to compensate them for this illiquidity
- On average, endowments have increased their allocation to Alternative Assets from 40% to 52% since 2006 (See chart at right)
- While this is probably too large an allocation for the typical high-net-worth investor, it begs the question:
 - **What's the thinking behind this allocation?**



(1) Source National Association of College and University Business Officers annual NACUBO Endowment Study. www.nacubo.org. Additional information at <http://www.philanthropyjournal.org/news/higher-education-investments-rebound> and www.commonfund.org/InvestorResources/CommonfundNews/Documents/2011%200127%202010%20NCSE%20Full%20Data%20Press%20Release.pdf.

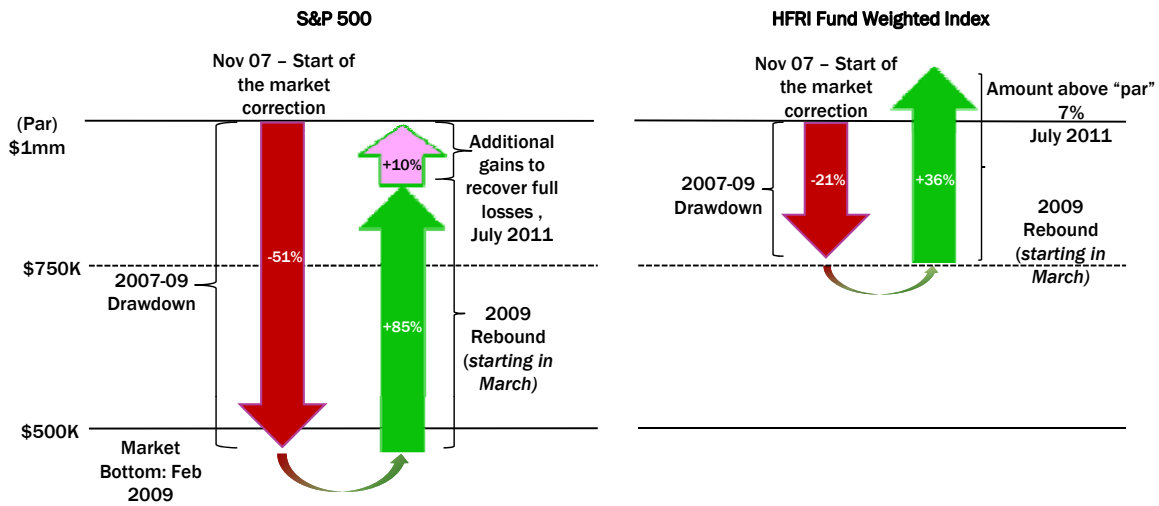
Alternative Assets in a Long-Term Portfolio Are Intended to Help Preserve Capital (i.e. follow Buffett's Rules)

Rule Number One: Never lose money.

Rule Number Two: Never forget Rule Number One.

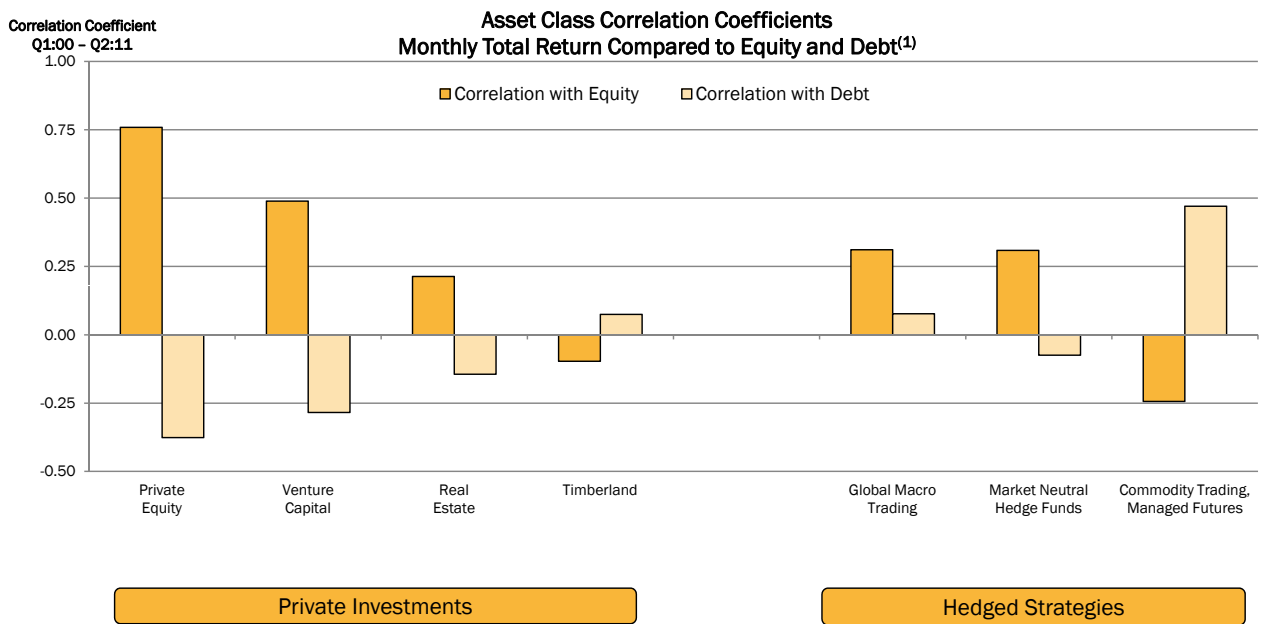
- Warren Buffett

- Don't lose too much and you don't have to make as much to stay ahead



(1) Source: PerTrac Financial Solutions database, Terrapin Asset Management analysis. Hedge Fund Research Inc. ("HFRI") Hedge Fund Index is the HFRI Fund Weighted Composite Index and the HFRI Fund-of-Hedge Funds Index is the HFRI Fund-of-Funds Composite Index. "S&P 500" is the Standard and Poor's 500 Total Return Index. These and other terms on this page and throughout the presentation are defined in the Appendix. "Drawdown" is the maximum cumulative decline in an asset value.

Enhancing Portfolios' Risk/Return Choices: Alternatives Historically Have Had Limited Correlation to Traditional Investments



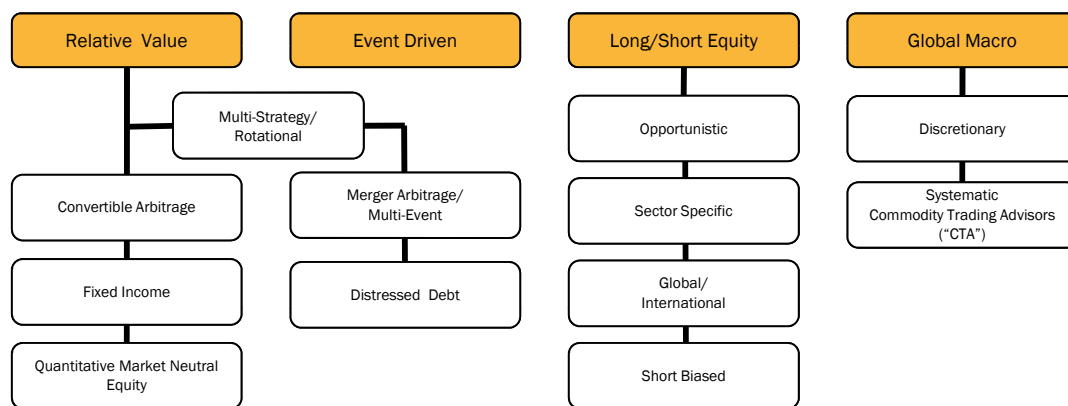
(1) Note: Correlation coefficients calculated against the S&P 500 Total Return Index for "Equity" and the Barclays Capital U.S. Aggregate Bond Index for "Debt." "Global Macro Trading" is the HFRI Global Macro Index; "Market Neutral" is the HFRI Equity Hedged Market Neutral Index; "Commodity Trading Managed Futures" is the Barclay CTA Index; "Private Equity" and "Venture Capital" are the respective Cambridge Associates sector indices; "Real Estate" is the National Council of Real Estate Investment Fiduciaries ("NCREIF" National Index; Timberland is the NCREIF Timberland Index. Source: Terrapin analysis, PerTrac Financial Solutions database.

The Case for Hedged Strategies in a Diversified Portfolio

- Hedge funds investing in debt, equity, derivatives
- Trading commodities in the spot, options, and futures markets

Hedged Strategies in the Alternative Asset Market

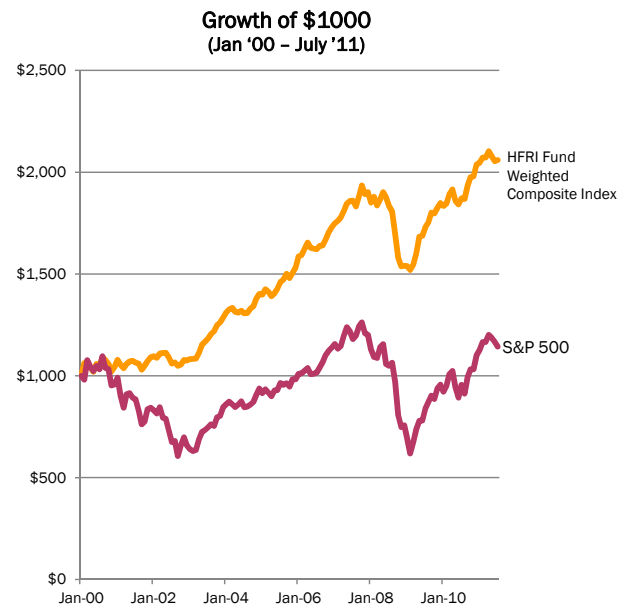
- Buying performance is easy in bull markets (ETF's, mutual funds, index funds, etc.)
- True expertise is most valuable in volatile, down, or "sideways" markets
- Hedge fund managers are able to express investment views with strategies not available to long-only/public funds including (but not limited to)¹:



(1) An Alternative Investments portfolio may include some or all of the strategies described in this presentation. A particular strategy may or may not be included in a portfolio at any given time.

2000-2010 was a “Lost Decade” for Large Capitalization Equities, but Not for Many Hedge Funds and Fund-of-Fund Strategies

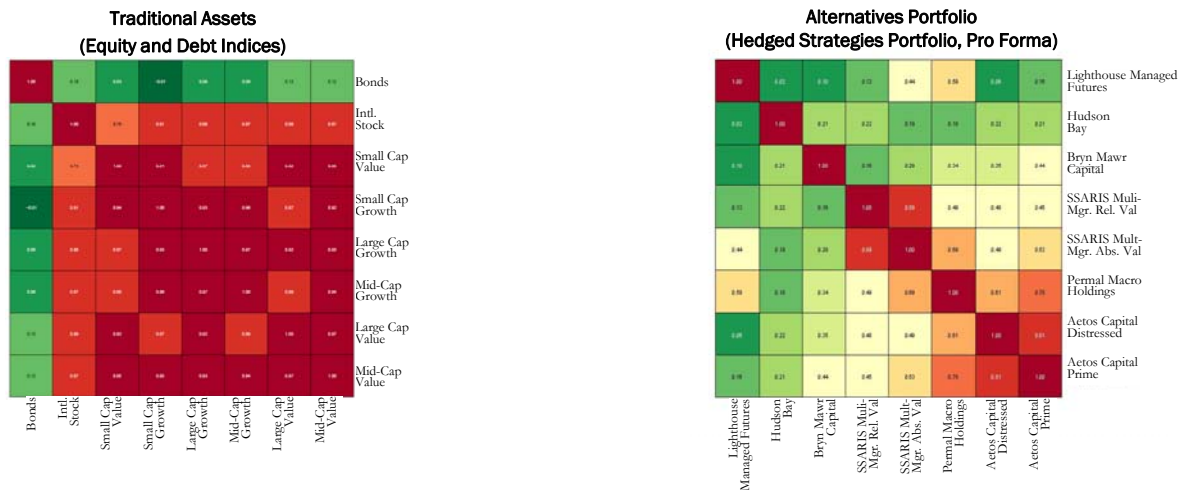
- Unfortunately, investor perception of alternative investments, like hedge funds, can be negative
- Based on “bad actors” and sensational media coverage
- New and pending regulation aims to improve transparency and investor protection
 - Dodd-Frank Act



(1) Source: PerTrac Financial Solutions database, Terrapin Asset Management analysis. Returns in indices such as the HFRI Fund Weighted Composite and the S&P 500 are indicative of market movements. Returns indicated do not include fees and do not represent actual investments available to clients. See Definitions for additional information.

One Reason for this Performance is Alternative Managers' Ability to Choose (and Constantly Rebalance) Uncorrelated, Non-traditional Assets

- Alternative portfolio managers were able to select from among a range of strategies that were relatively less internally correlated than traditional equity/debt indices (proforma, Jul '04 - Apr '11).¹
- Remember, traditional and alternative assets historically have been relatively uncorrelated.



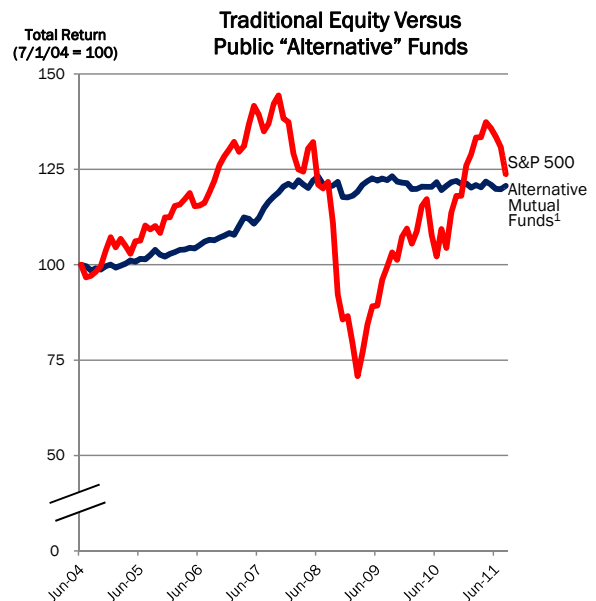
(1) Source: PerTrac Financial Solutions database, Terrapin Asset Management analysis. The Hedged Strategies Portfolio heatmap is a model portfolio consisting of a sample holding of hedge funds and fund-of-funds, equally weighted and rebalanced monthly. These correlations and results are not indicative of actual correlations that the Hedged Strategies Portfolio achieved during this time. Rather, the correlations shown above are based on back-tested data achieved by means of retroactive application of currently held securities designed with the benefit of hindsight and not on actual client investments. The correlations shown in the chart assume that the current percentage holdings to the eight funds currently in use in the Hedged Strategies Portfolio had been in place since July 2004 (except for Lighthouse Managed Futures Fund whose fund inception date was January 2006 – in that case the pro forma calculations distributed the current Lighthouse Managed Futures Fund allocation on a pro rata basis across the other seven funds for the July 2004 to January 2006 period).

Recently, “Low Volatility” Mutual Funds Have Entered the Markets

- Offer daily pricing, liquidity, regulated reporting, mandatory transparency and limited leverage versus hedge funds
- Lower fees, easy access, straightforward tax reporting
- Some offered by hedge fund managers
 - Registered with SEC

But...

- Few have track records longer than 3 years
- Managers must limit strategies used in registered funds relative to private funds
- **Later, we'll discuss the trade-offs between liquidity, limited strategies, and returns in public versus private funds**



(1) Source PerTrac Financial Solutions database and Bloomberg. The Alternative Mutual Fund portfolio performance shown above is based on back-tested hypothetical data and not on actual client performance. That portfolio's pro forma returns represent a group of “Low Volatility” mutual funds since July, 1 2004, assuming an evenly weighted portfolio of Absolute Strategies Fund (ASFIX), Hussman Strategic Growth Fund (HSGFX), JP Morgan Market Neutral Fund (JPMNX), AQR Diversified and AQR Managed Futures funds (ADAIX, AQMIX), and Rydex Managed Futures Fund (RYMPX), such equal weighting being applied to the portfolio with rebalancing as of the inception dates of new funds including ASFIX, ADAIX, RYMPX, and AQMIX, whose fund inception dates respectively were July 2005, January 2009, March 2007, and January 2010. The information does not represent the results of actual trading using client assets. Actual client performance may differ from the performance of this strategy, which would have altered performance.

Selected Differences Between Public and Private “Absolute Return” Funds

Typical Strategies & Structures	Mutual Funds	Hedge Funds
Structure	Open/closed-ended public fund (SEC “40 Act”)	Private partnerships
Hedging: Options, futures, forwards, shorts	All must be covered	Limited/no restrictions
Pricing	Daily for open-ended	Limited/no pricing restrictions
Redemption	Any time	Typically monthly/quarterly with lock-ups
Leverage	Not permitted to take highly leveraged positions or to borrow extensively on the value of securities owned	Limited/no restrictions
Tax Reporting	Form 1099	Form K-1, extensions
Securities acquired	Listed stocks, bonds, money market securities	Public or private or thinly-traded securities anywhere in the capital structure
Control and Diversification	Must limit concentration and disclose holdings (e.g. on Forms 13D)	May take concentrated positions, seek control
Fees and Expenses	Distribution charges (front-or-back-end sales loads and 12b-1 fees), management fee, other fund expenses, transaction fees (buy/sell) – 1.5% and up	2% Mgt. Fee / 20% Incentive Fee Fund-of-funds: 0.5% - 1.5% Mgt. Fee 0% -10% Incentive Fee

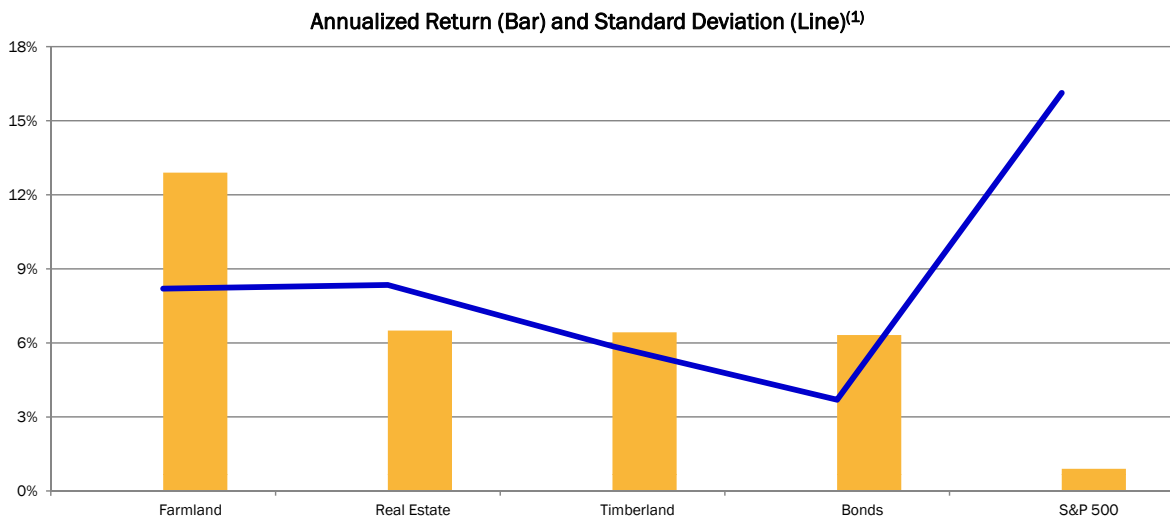
The Case for Real Assets in a Diversified Portfolio

- Tangible goods or rights and income associated with them
 - Royalties, rent, or lease income from assets in production
 - May have equity interest in appreciation of underlying assets
- Historically, thought of as (i) a hedge against inflation and (ii) a way to participate in developing economies
- Natural resources and diversified energy investments
 - Oil, gas, or alternative energy generation, mines/minerals
 - Farmland, timberland, or water resources
- Real Estate – Income/appreciation from buildings and land
 - “Core” or opportunistic/distressed in U.S. or globally
 - Commercial, industrial, hotel/leisure, specialized (e.g. healthcare, retirement)
- Less common: Specialized opportunities like project finance, equipment based lending
- Overall, limited public investment equivalents to many “real assets”
 - One major exception – public REITS – may be highly correlated to stocks



Example: Real Estate, Timber, and Farmland Outperformed Equities but had Volatility More Similar to Bonds than Stocks

Future trends may differ from the past decade, but real assets will probably continue to be driven by different (uncorrelated) fundamentals than traditional debt and equity markets.



(1) 10-year period ending 12/31/2010. "Farmland," "Timberland," and "Real Estate" respectively are the NCREIF Farmland, Timberland, and Core Real Estate indices. "S&P 500" is the S&P 500 total return index including dividends and appreciation. Source: PerTrac Financial Solution database and Bloomberg.

Private Company Investments in the Alternatives Market

- Venture Capital
 - Start-up, early-stage, and emerging growth companies equity and debt
- Private Equity
 - Equity /debt in un-listed or thinly-traded firms; acquire control or minority interest of stand-alone entity or division of a larger entity
- Mezzanine Finance
 - Lending, typically in a junior position to senior secured debt; may include equity
- Buyout
 - Acquisition of control in a company or operating division of a larger firm
- Project Finance
 - Dedicated asset-backed cash flows, may include residual ownership (e.g. leases)

The Case for Private Investments in the Portfolio

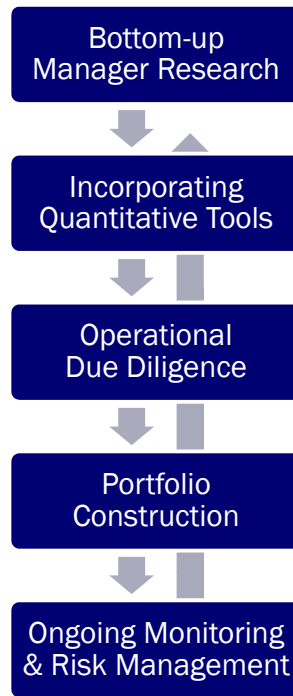
Private Investments Tend to Be Less Liquid but More Stable than Public Assets

- Returns from private sales to strategic buyers:
 - Generally not dependent on public market valuation
 - Based on the intrinsic value of the assets to the buyer
 - Discounted cash flows from growth and cost reductions
 - Acquisition as a way to enter new markets, obtain technology or products, build critical mass
- Income received from dividends, debt repayment, and other mechanisms is not dependent on public markets
- Risks typically more linked to operations than to fluctuations of markets



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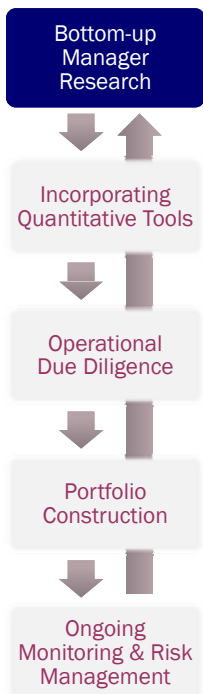
Terrapin is a Sub-Advisor to Modera, on a Non-Discretionary Basis Terrapin Investment Process





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Key Elements of Manager Research



Primary source of prospective sub-managers is referrals, not database searches or conferences

Terrapin’s CIO and investment team have direct investment experience in many of the strategies employed by the managers with whom we invest

- This experience provides critical insights that are important in assessing whether a manager has a sustainable and scalable “edge”

Reference checking is a critical component of Terrapin’s research process

- Terrapin’s investment team has meaningful contacts for independent verification of manager claims

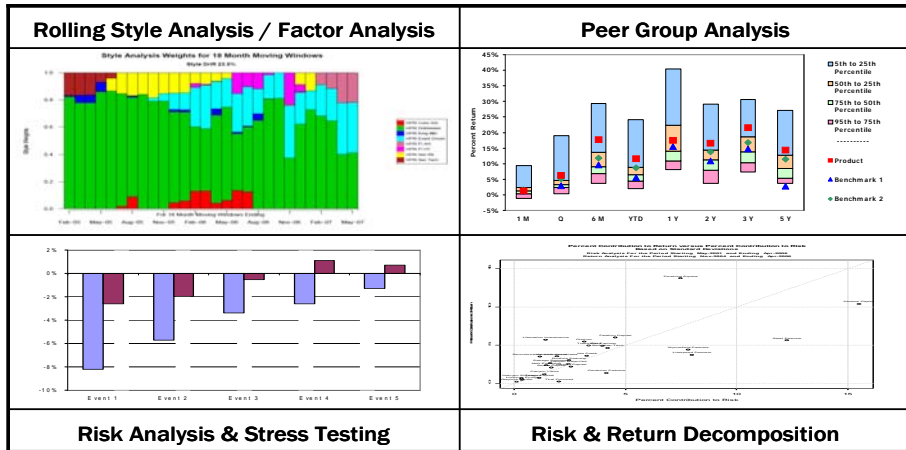
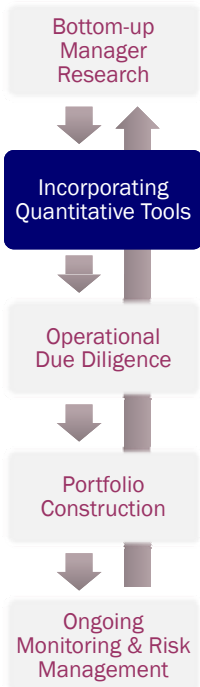
Portfolio transparency is a vital attribute

- Terrapin will not recommend managers who are unwilling to provide details concerning their portfolio positioning



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Quantitative Tools Support Research Process



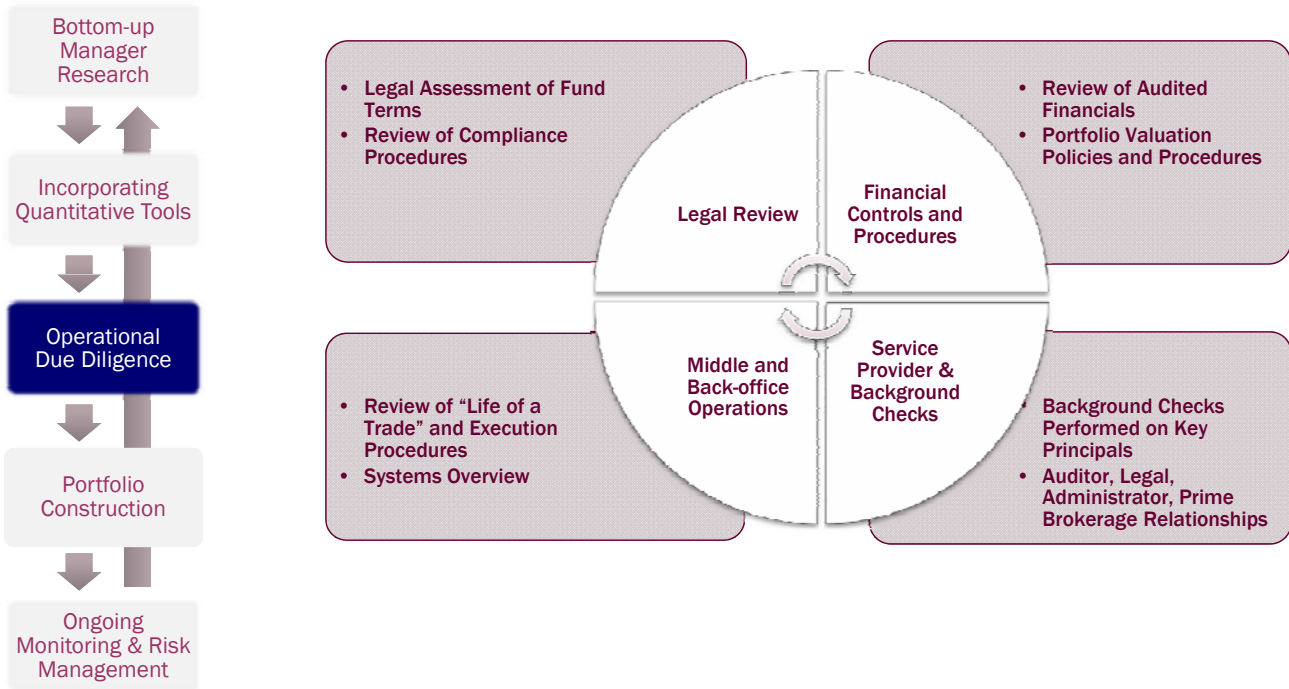
Terrapin employs a qualitative investment process that incorporates quantitative analysis that includes:

- Understanding the sources of return and risk
- Comparing performance with appropriate benchmarks and customized peer group universes
- Analyzing historical volatility including stress analysis and drawdown analysis
- Determining if the expected reward is commensurate with the level of risk
- Assessing the impact a fund has on the overall portfolio and its marginal and percent contribution to risk and return



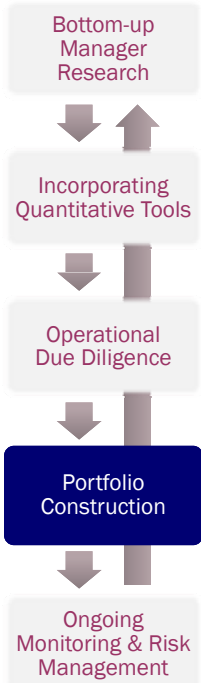
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Terrapin's Operational Due Diligence on Potential Investments



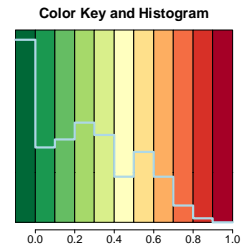


Non-Correlated Diversification is a Principal Objective



1.00	-0.08	0.13	0.12	-0.11	-0.22	0.03	0.06	-0.22	-0.05	-0.36	-0.16	0.37	-0.03	-0.03	-0.11	-0.04	-0.14	-0.06
-0.08	1.00	0.17	0.18	0.04	0.06	-0.08	0.12	-0.17	-0.32	-0.13	-0.24	-0.16	-0.03	-0.12	0.06	-0.17	-0.13	-0.04
0.13	0.17	1.00	0.72	0.06	0.33	0.36	0.29	0.07	-0.04	-0.31	-0.27	-0.21	-0.16	-0.01	0.14	0.18	-0.02	0.09
0.12	0.18	0.72	1.00	-0.13	0.16	0.27	0.20	0.11	0.02	-0.32	-0.14	0.38	0.03	0.02	0.24	0.35	0.09	0.22
-0.11	0.04	0.06	-0.13	1.00	0.21	0.33	0.41	0.05	0.13	0.25	0.25	-0.34	0.12	0.45	0.20	0.09	0.25	0.21
-0.22	0.06	0.33	0.16	0.21	1.00	0.29	0.46	0.09	0.16	0.40	0.40	0.10	0.31	0.43	0.26	0.52	0.49	0.58
0.03	-0.08	0.36	0.27	0.33	0.29	1.00	0.36	0.33	-0.07	-0.01	-0.14	-0.37	0.36	0.39	0.19	0.47	0.35	0.36
0.06	0.12	0.29	0.20	0.41	0.46	0.36	1.00	0.13	-0.11	-0.23	-0.13	-0.04	0.51	0.64	0.57	0.63	0.65	0.58
-0.22	-0.17	0.07	0.11	0.05	0.09	0.33	0.13	1.00	0.11	0.27	0.22	0.39	0.35	0.17	0.17	0.30	0.26	0.24
-0.05	-0.32	-0.04	0.02	0.13	0.16	-0.07	-0.11	0.11	1.00	0.31	0.49	0.30	0.07	0.25	0.24	0.22	0.14	0.21
-0.36	-0.13	-0.31	-0.32	0.25	0.40	-0.01	-0.23	0.27	0.31	1.00	0.73	0.53	0.50	0.39	-0.11	0.24	0.08	0.15
-0.16	-0.24	-0.27	-0.14	0.25	0.40	-0.14	-0.13	0.22	0.49	0.73	1.00	0.63	0.57	0.63	0.24	0.38	0.28	0.36
0.37	-0.16	-0.21	0.38	-0.34	0.10	-0.37	-0.04	0.39	0.30	0.53	0.63	1.00	0.86	0.56	0.70	0.73	0.46	0.50
-0.03	-0.03	-0.16	0.03	0.12	0.31	0.36	0.51	0.35	0.07	0.50	0.57	0.86	1.00	0.61	0.44	0.61	0.55	0.63
-0.03	-0.12	-0.01	0.02	0.45	0.43	0.39	0.64	0.17	0.25	0.39	0.63	0.56	0.61	1.00	0.43	0.59	0.57	0.51
-0.11	0.06	0.14	0.24	0.20	0.26	0.19	0.57	0.17	0.24	-0.11	0.24	0.70	0.44	0.43	1.00	0.50	0.56	0.56
-0.04	-0.17	0.18	0.35	0.09	0.52	0.47	0.63	0.30	0.22	0.24	0.38	0.73	0.61	0.59	0.50	1.00	0.63	0.70
-0.14	-0.13	-0.02	0.05	0.25	0.49	0.35	0.65	0.26	0.14	0.08	0.28	0.46	0.55	0.57	0.56	0.63	1.00	0.78
-0.06	-0.04	0.03	0.22	0.21	0.58	0.36	0.58	0.24	0.21	0.15	0.36	0.50	0.63	0.51	0.56	0.70	0.78	1.00

- Sector: Financials 1
- Sector: Energy 1
- Distressed 1
- L / S Equity 1
- Global Macro 1
- Sector: Utilities 1
- Event Driven 1
- L / S Equity 2
- Event Driven 2
- Vol Arb 1
- Credit 1
- Multistrategy 2
- L / S Equity 3
- Multistrategy 1
- Distressed 2
- Sector: Technology 1
- Multistrategy 4
- Multistrategy 3
- L / S Equity 4

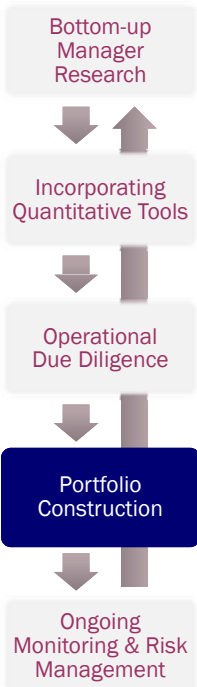


The correlations among managers are displayed graphically with dark red and dark green representing the highest and lowest values¹

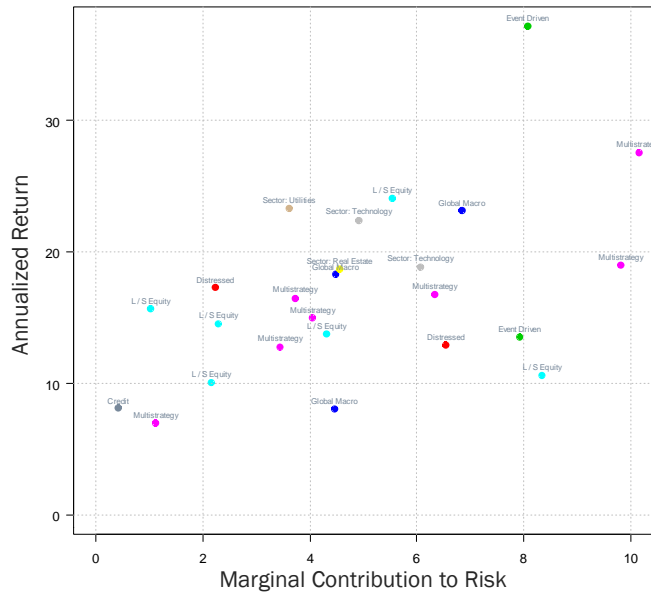
(1) The analysis is not an actual report, it is provided as a sample of quantitative analysis employed by the Investment Team.



Review Each Manager's Contribution to the Portfolio Return and Volatility



Annualized Return vs. Marginal Contribution to Risk Based on Standard Deviations¹



Sub-managers with different risk/reward profiles make complementary contributions to a fund of funds portfolio

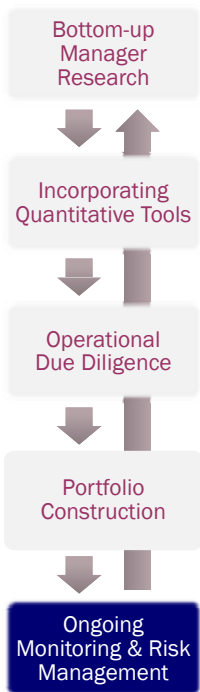
(1) The analysis is not an actual report, it is provided as a sample of quantitative analysis employed by the Investment Team. We typically assess marginal contribution to risk using longer time periods than return since we believe volatilities and correlations are more stable.





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Ongoing Due Diligence Critical to Investment Process



The most significant risk in any fund of funds portfolio is that introduced by individual sub-managers

- Risk management begins with a thorough understanding of a sub-manager's investment strategy and approach

On-going monitoring and analysis is critical to the process

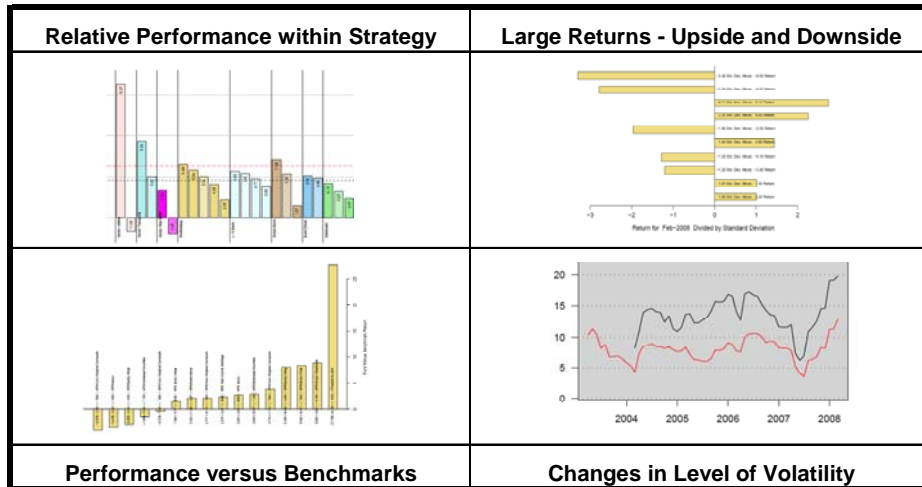
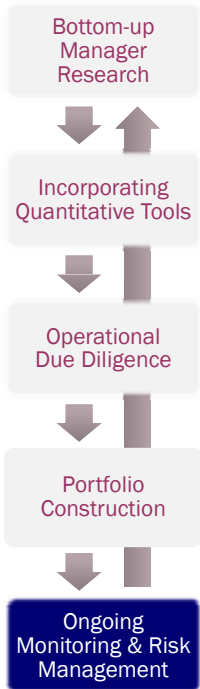
- At a minimum, research analysts' objective is to contact sub-managers on a quarterly basis either via conference call or in-person meeting
- Review personnel changes, style drift, regulatory status, background checks, annual audits, AUM at fund and firm level etc.
- Review of 13F and 13D filings
- Remain alert to development of any integrity or hubris issues

Objective to complete site visit at least annually



TERRAPIN
ASSET MANAGEMENT

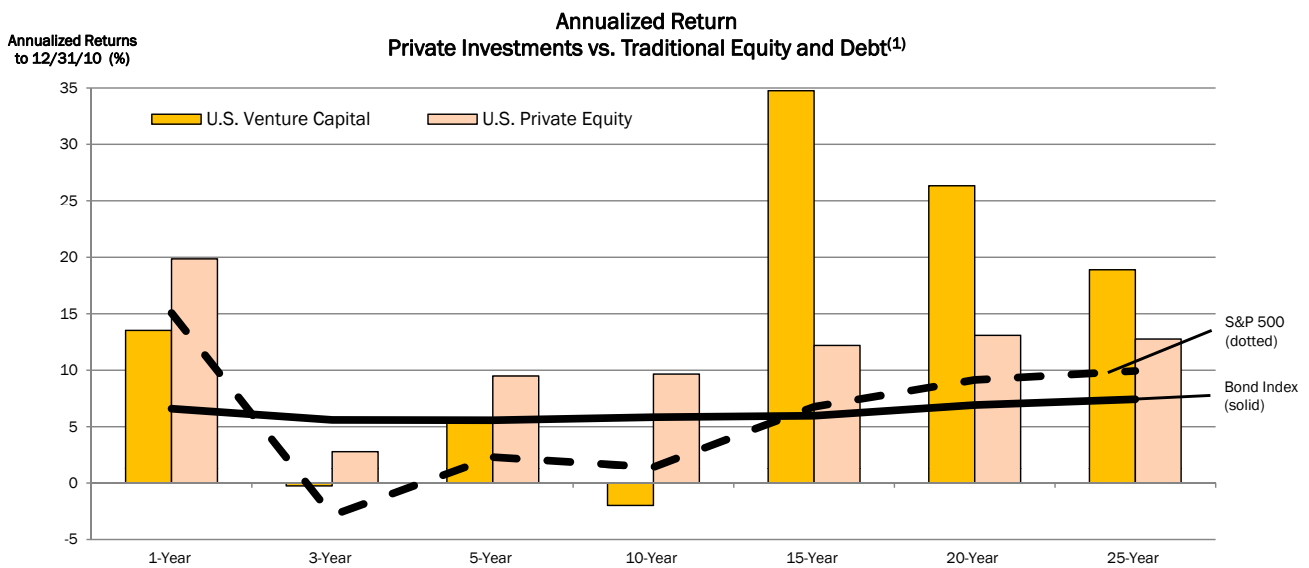
Monitoring Tools Look for Early Warning Signs



Performance monitored across multiple dimensions and time frames to identify potential issues

Why Accept Some Illiquidity? Private Company Indices Historically have Performed Better than Stocks and Bonds Over the Long-Term

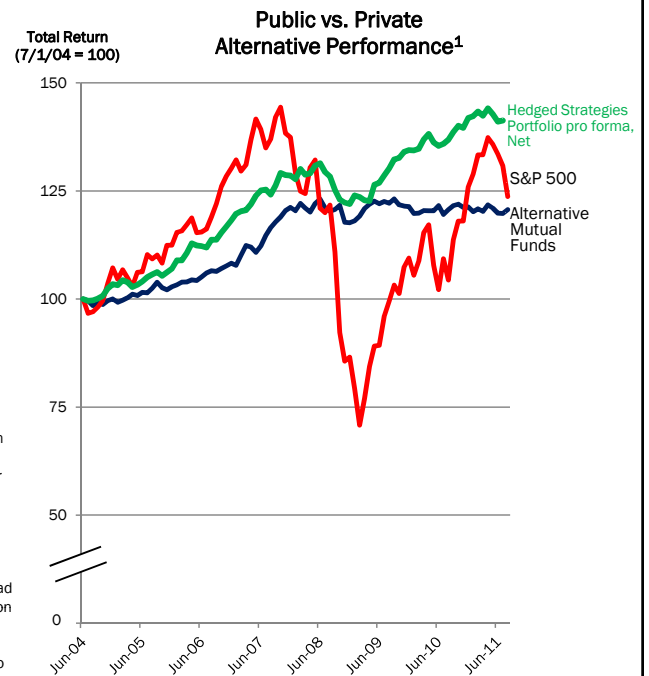
If investors have sufficient liquidity from other parts of their portfolio, why forego access to asset classes with higher long-term returns and low correlation?



(1) Source: Cambridge Associates Private Equity and Venture Capital Indices.; Bond Index is the Barclays Capital U.S. Aggregate Bond Index; S&P 500 is the total return for the S&P 500 Index, including dividends.

Pro forma Performance of a sample portfolio of Hedge Fund and Fund-of-Fund Managers

- Model portfolio as of July 1, 2004
- Current managers, re-balanced quarterly
- Would have eliminated much of the market's volatility while retaining "upside"
- Past results, of course, cannot predict future outcomes



(1) Note: The Hedged Strategies Portfolio pro forma Net total returns, shown above, are based on back-tested hypothetical data and not on actual client performance. The Hedged Strategies Portfolio pro forma returns are not representative of any actual returns earned by any investor in the strategy. Rather, the returns shown in the chart represent the returns, since July 2004, assuming that the current percentage allocations to the eight funds (Bryn Mawr Capital L.P. 11%, Hudson Bay 10%, Aetos Capital Prime Portfolio 18%, Aetos Capital Distressed Portfolio 17%, SSARIS Multi-Manager Absolute Return Fund and SSARIS Relative Return Fund 18%, Permal Macro Holdings Ltd. 7%, Lyster Watson Conservative Alternatives Fund 9%, and Lighthouse Managed Futures Fund 11%) currently in use in the Hedged Strategies Portfolio had been in place since July 2004 (except Lighthouse Managed Futures Fund whose fund inception date was January 2006 - in that case the pro forma calculations distributed the current Lighthouse Managed Futures Fund allocation percentage on a pro rata basis across the other seven funds for the July 2004 to January 2006 period). The Alternative Mutual Funds portfolio is described in the Note on page 14.

The information does not represent the results of actual trading using client assets but was achieved by means of retroactive application of currently held securities designed with the benefit of hindsight. Actual client performance may differ from the performance of this strategy which will alter performance. The historical results for those funds in their current percentages making up the fund were calculated for the Hedged Strategies Portfolio pro forma each quarter with the Hedged Strategies Portfolio pro forma composition then rebalanced at the end of each quarter back to the current percentage allocations to calculate the returns, total return, volatility and beta. We then reduced the returns and total returns figures calculated by an expense ratio of 2% per year to arrive at the returns shown in the chart above.



Thank you

- Continuing education credit for the AIF and AIFA designations and CFP certification will be reported by fi360.
- Visit the fi360 Blog for a follow-up post to answer your questions: <http://blog.fi360.com>
- A recording of this webinar will be available soon in the archive (www.fi360.com/webinars) and in the Designee Portal
- Email resources@fi360.com with any additional questions or comments.

Appendix: Definitions

Definitions

- The Barclays Capital Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in U.S.
- The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index and represents approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.
- The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.
- The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000® Index. It includes approximately 800 of the smaller securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.
- The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Definitions (continued)

- The MSCI EAFE Index is a stock market index designed to measure the equity market performance of developed markets outside of the U.S. & Canada. MSCI EAFE acronym stands for Morgan Stanley Capital International Europe, Australasia, and Far East. The index is market-capitalization weighted. The index includes a selection of stocks from 21 developed markets, but excludes those from the U.S. and Canada.
- Standard Deviation is a measurement of variability of a distribution of data around its average. In a normal distribution (“bell shaped curve” as defined in statistics references), 95% of all observations will occur within 2 standard deviations above and below the average. Distributions with lower standard deviations have lower dispersion around the average; high standard deviation indicates more variation of data around the mean.
- Standard and Poor’s 500 Total Return Index is a benchmark equity index that tracks both the capital gains of the member stocks and any cash distributions (i.e. dividends) that are reinvested back into the index.
- HFRI is Hedge Fund Research Inc.’s Index of Returns comprised of all hedge fund strategies including: Global Macro Index, Equity Hedged Index, Market Neutral Index, Convertible Arbitrage, Merger Arbitrage, Relative Value Arbitrage, Distressed Securities, and Event Driven.
- Barclays CTA Index is an unweighted performance index of all Commodity Trading Advisors (“CTAs”). CTAs are individuals or firms that receive compensation for giving people advice on trading futures and options. The Index measures the combined performance of all CTAs who have more than 4 years of past performance.
- The Cambridge Associates Private Equity Index is an end-to-end calculation based on data compiled from 887 U.S. private equity funds (buyout, growth equity, private equity energy and mezzanine funds), including fully liquidated partnerships, formed between 1986 and 2010.

Definitions (continued)

- The Cambridge Associates Venture Capital Index is an end-to-end calculation based on data compiled from 1,308 U.S. Venture Capital funds (867 early stage, 170 late & expansion stage, 268 multi-stage and 3 venture debt funds), including fully liquidated partnerships, formed between 1981 and 2010.
- NCREIF is the National Counsel of Real Estate Investment Fiduciaries. The NCREIF National Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only; the Timberland Index is a quarterly time series composite return measure of investment performance of a large pool of individual timber properties acquired in the private market for investment purposes only; the Farmland Index is a quarterly time series composite return measure of investment performance of a large pool of individual agricultural properties acquired in the private market for investment purposes only; the Open End Diversified Core Equity ("ODCE") is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of 28 open-end commingled funds pursuing a core investment strategy.

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Please contact Mark Willoughby at 201-768-4600 should you have any questions with regard to the foregoing.