introduction to hedge funds

A hedge fund is an actively managed investment vehicle that typically seeks to achieve attractive risk-adjusted returns over the long term and to manage capital losses in down market periods.

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The investment of proprietary and employee capital may also give rise to potential conflicts of interest.

hedge fund attributes

While there is great variability among hedge funds, there is also commonality, such as portfolio flexibility—the ability to invest long and short, adjust exposures and use leverage.[a]

Strategic hedge fund allocations may reduce overall portfolio volatility.

manager talent	investment flexibility
manager co-investment	manager profit participation

Hedge fund investments are speculative and involve substantial risks. Investors may lose some or all of their capital.

Managers typically maintain a significant personal investment in their funds and are compensated, in part, by a percentage of the fund's profits. This may help to align manager interests with those of their investors.[b]

the fundamentals

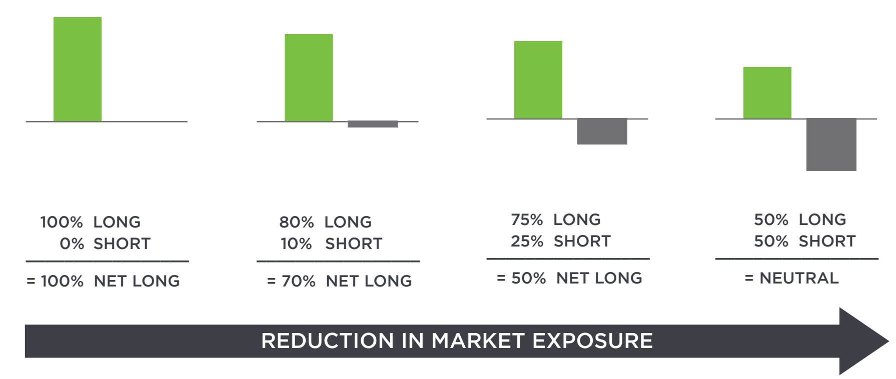
growth of $100,000 [c]

Past performance is not indicative of future results

a. The use of these techniques is speculative and involves substantial risks. b. Jaeger, Robert A., All About Hedge Funds, (McGraw-Hill, 2003), p. 7. The receipt of incentive based compensation may create an incentive to make investments that are riskier or more speculative. c. Source: Hedge Fund Research, Inc. as of 9/30/20. Indices have limitations and cannot be used to predict the performance of an investment. While HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations including survivorship bias (the returns of the indices may not be representative of all hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the indices may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown). See Commonly Used Terms for information on indices and performance. To provide a broad comparison, broad-based indices are presented. If other time periods were selected, index performance may have been higher or lower. Indices are unmanaged, do not reflect fees and expenses and are not available for direct investment. No index is directly comparable to a fund.

varying net exposure

With the flexibility to combine long and short investments, options, derivatives and cash, hedge fund managers can modulate a portfolio's net market exposure (difference between long and short positions) in an attempt to dampen volatility and reduce correlation to the overall market.[a]



For illustrative purposes only. Actual net market exposure of a specific manager may be different and may vary significantly on any given day.

Many hedge fund managers strive to deliver attractive risk-adjusted returns in all market conditions and many focus on managing capital loss in down market periods.

In contrast, traditional long-only investment managers generally seek to outperform a benchmark, such as the S&P 500, and generally do not employ strategies for capital preservation.

Many hedge funds have a lower correlation to long-only/traditional equity investments, potentially improving a portfolio's risk/return profile while seeking to reduce overall volatility.

a. Exposures were selected to represent mostly bullish, moderately bullish and neutral exposures. Such exposures could be achieved with different long and short percentages, other exposures could be implemented and exposures would vary over time depending on a specific manager's outlook. No assurance can be given that a hedge fund manager will vary its market exposure, that these strategies will be successful or that the objectives will be met. Investors could lose some or all of their investment. These techniques may increase risk if securities sold short appreciate while long positions decline in value. The use of these techniques is speculative and involves substantial risks.

hedge fund strategies

The ability to utilize various investment techniques allows hedge fund managers to seek opportunities in both bull & bear markets.

Some managers may focus on a single strategy, while others may allocate opportunistically across many strategies.

ACTIVISM
Managers attempt to obtain representation on a company's board of directors in an effort to impact firm profit or strategic direction and enhance firm value.

CONVERTIBLE ARBITRAGE
Managers aim to profit from the volatility and mispricing of convertible bonds. They typically purchase a convertible bond and reduce equity exposure by shorting the underlying equity.

DISTRESSED SECURITIES
Distressed funds buy bonds or other securities of companies facing tough times or bankruptcy. Distressed managers frequently find their best opportunities when economic conditions are at their worst.

EMERGING MARKETS
Managers invest in equity or bonds in emerging markets. Funds tend to be long-biased, as short selling may be difficult in less developed markets.

EQUITY MARKET NEUTRAL
Funds seek to balance a long portfolio with a short portfolio to achieve net market exposure as close to zero as possible. Equity market neutral funds seek to profit from the manager's stock picking skills.

EVENT INVESTING
Funds invest in securities of issuers facing catalyst-focused corporate "events," including bankruptcies, spin-offs, liquidations, tender offers, restructurings or mergers.

FIXED INCOME ARBITRAGE
Managers exploit small price anomalies in corporate or government bonds, buying securities they believe will rise and shorting securities they think will fall.

GLOBAL MACRO
Managers attempt to profit from anticipated global price movements in equity, bond, currency and commodity markets.

LONG/SHORT EQUITY
Funds hold a portfolio of longs, or stocks expected to increase in value, hedged by selling a portfolio of shorts, or stocks expected to decrease in value.

MERGER ARBITRAGE
Managers seek to profit from the spread between current market values of securities and their values following the completion of a merger or acquisition. Managers typically purchase shares of a target company, which tend to rise when takeovers are announced, and short shares of the acquirer.

QUANTITATIVE
Managers employ sophisticated quantitative techniques of analyzing price, economic, sales, and other data to ascertain information about potential future price movements.

RELATIVE VALUE
Funds strive to capitalize on relative pricing discrepancies between instruments, including equities, debt, options and futures.

STATISTICAL ARBITRAGE
Managers aim to benefit from temporary pricing discrepancies between related securities. Managers may go long the cheaper security and short the more expensive one. When prices revert to their mean, gains may be realized.

Not an exhaustive list of strategies and definitions. Sources: Reuters, "Factbox: Hedge Fund Strategies Explained," August 28, 2009, Morgan Stanley & HFRI.

making up is hard to do

Short-term declines can be detrimental to a portfolio. Recovering from losses can be a lengthy process, even with attractive rates of returns.

% Loss	% Appreciation Required to Break Eve	Years Required to Break Even at 6% Annual Return
20%	25.0%	3 years, 10 months
30%	42.9%	6 years, 2 months
40%	66.7%	8 years, 10 months
50%	100.0%	11 years, 11 months

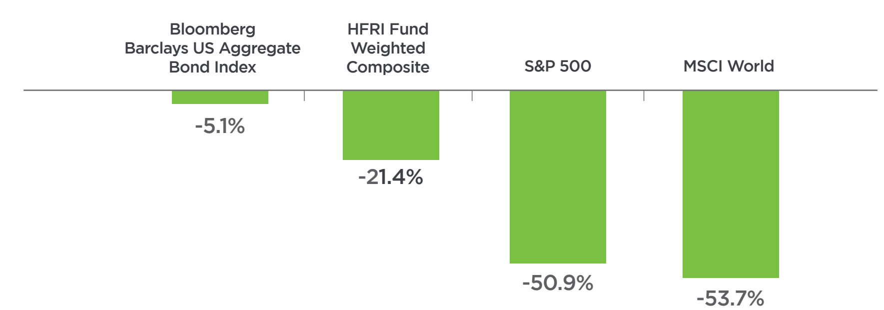
This hypothetical illustration is based on mathematical principles and is not meant as a forecast of future events or as a statement that prior markets may be duplicated. For illustrative purposes only.

The inclusion of hedge funds in an investment portfolio may provide an added layer of diversification while potentially reducing volatility.[a] Lower volatility may help to prevent negative compounding.

max drawdown

Maximum ("max") drawdown is a commonly used metric to evaluate risk. Max drawdown measures the single largest peak to trough decline in an investment or index's net asset value over a period of negative performance.[b]

max drawdown of commonly used indicies [b]



Past performance is not indicative of future results.

a. Diversification does not ensure a profit or protect against loss. b. Source: Hedge Fund Research Inc., MSCI World, S&P 500, Bloomberg Barclays US Aggregate Bond Index. 1/1/1990–9/30/2020. See Commonly Used Terms. To provide a broad comparison, broad-based indices are presented. If other time periods were selected, index performance may have been higher or lower. Indices are unmanaged, do not reflect fees and expenses and are not available for direct investment. No index is directly comparable to a fund. Different indices and investments will experience their drawdowns over different time periods. However, comparing max drawdowns over a common time period between multiple investments or indices provides a common basis for comparing two or more sets of data. Indices have limitations and cannot be used to predict the performance of an investment. While HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations including survivorship bias (the returns of the indices may not be representative of all hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the indices may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown).

In recent years, new fund structures have enabled private clients and smaller institutional investors to invest in hedge funds.

Please speak to your financial advisor about hedge fund options that may be suitable for your investment goals, level of risk tolerence, liquidity needs and other factors.

investor considerations

While the benefits of hedge fund investing may be considerable, this asset class is not for everyone. Hedge funds involve significant risks, including a total loss of capital. Risks typically associated with hedge funds include investments in short sales, options, small cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.

For additional information on hedge funds and hedge funds-of-funds, visit the Securities and Exchange Commission website: www.sec.gov/answers/hedge.htm

Qualified investors who can appreciate the risks and potential rewards of hedge funds may wish to consider an appropriate allocation in their portfolio.

This document is intended to provide interested persons with insight on hedge funds and is not intended to promote any manager or firm, nor does it intend to advertise their performance. Unless otherwise noted, all opinions expressed are those of Central Park Advisers, LLC. The information in this report is not intended to address the needs of any particular investor. While the benefits of hedge fund investing may be considerable, this asset class is not for everyone. Hedge funds involve significant risks, including a total loss of capital.

risk considerations

Alternative investments are speculative and involve substantial risks and conflicts of interest. An investor may lose some or all of their investment. Alternative investments may not be appropriate for all investors. This document does not constitute an offer to purchase any securities or obtain investment advisory services. The risks associated with alternative investments arise from several factors, depending on the specific type of investment.

Some alternative investments:

- Use leverage and other speculative strategies that may increase the risk of loss
- Are impacted by fluctuations in interest rates, currency values or credit quality
- Do not provide periodic pricing or valuation information to investors
- May delay distribution of important tax information
- May charge high fees

Before investing in a fund, review the detailed explanation of risks as well as all other information in the offering materials. Central Park Group does not provide tax or legal advice. Please contact your tax and legal advisors regarding your specific situation.

There are risks associated with investing in alternatives, including hedge funds and funds-of-funds. There is no assurance that objectives will be achieved or that an investment program will be successful. Investors in access funds bear an additional layer of fees and expenses.

All investments in securities involve risk of the loss of capital. Alternative investments are sold to qualified investors only by a Confidential Offering Memorandum or Prospectus. Alternative investments provide limited liquidity and include, among other things, the risks inherent in investing in securities and derivatives, using leverage and engaging in short sales. An investment in an alternative investment fund is speculative, involves substantial risks and should not constitute a complete investment program. An alternative investment fund may be highly leveraged and the volatility of the price of its interests may be significant. Alternative investments may involve complex tax structures and there may be delays in distributing important tax information.

Alternative investment funds may not be subject to the same regulatory requirements as mutual funds, and their fees and expenses may be high. This summary is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy interests in any fund. Interests are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

Published in November 2020. Information presented herein may have changed since publication and may not be updated. Contact Central Park Group for updated information at (212) 317-9200 or info@centralparkgroup.com.

commonly used terms

BLOOMBERG BARCLAYS US AGGREGATE BOND INDEX. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multicurrency Global Aggregate Index and the US Universal Index, which includes high yield and emerging markets debt. The US Aggregate Index was created in 1986 with history backfilled to January 1, 1976.

CORRELATION. A statistical measure demonstrating the degree to which two variables (or investments) are related.

DERIVATIVE. A contract whose value is based on the performance of an underlying financial asset, index or other investment.

HFRI FUND WEIGHTED COMPOSITE INDEX. The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 1,400 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include funds of hedge funds.

INDICES. Are not available for direct investment. While these indices are frequently used, they have limitations (some of which are typical of other widely used indices) and cannot be used to predict performance of a fund. The S&P 500, MSCI World and Bloomberg Barclays US Aggregate indices are broadly diversified indices of securities, while a fund's portfolio may not be as diversified. Therefore, due to the differences between a fund's portfolio and the composition of the S&P 500, MSCI World and Bloomberg Barclays US Aggregate, potential investors are cautioned that no such index is directly comparable to a fund. Information regarding the indices referenced herein has been obtained by sources believed to be reliable but not warranted as to accuracy or completeness. Funds do not restrict investments solely to securities included in these indices.

LEVERAGE. Borrowed money used to control a larger market position/improve return without increasing investment. Leverage may increase the potential scope of both risk and return.

LONG POSITION. Ownership of a security.

MAX DRAWDOWN. A metric that can be used to evaluate risk. It measures the single largest peak to trough decline in an investment or index's net asset value over a period of negative performance. Different indices and investments will experience their drawdowns over different time periods. However, comparing max drawdowns over a common time period between multiple investments or indices provides a common basis for comparing two or more sets of data. The max drawdown for a particular index may be different than the max drawdown presented herein if it were to include the entire period of such index's existence rather than the period set forth in these risk metrics.

MSCI WORLD EQUITY INDEX. A free-float weighted global equity index, without emerging markets exposure. It represents large and mid-cap performance across 23 developed market countries, covering approximately 85% of the free-float adjusted market capitalization in each country.

OPTION. Right to buy or sell a security at a fixed price in an exchange for an agreed upon sum.

S&P 500®. A capitalization-weighted unmanaged index of 500 common stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index's performance includes reinvestment of dividends and capital gains.

SHORTING STRATEGIES/SELLING SHORT. Sale of a security not owned by the seller. Used to take advantage of an anticipated decline in price or to protect long positions.

STANDARD DEVIATION. A statistical measure of volatility (risk) demonstrating the degree to which an investment's returns have varied over time.

VOLATILITY. Typically measured by the standard deviation, volatility is the tendency of an investment or market to rise or fall within a specified period of time.

Central Park Group, LLC

Central Park Group, LLC, together with its affiliates, is an independent investment advisory firm that specializes in alternative investment strategies. The Firm offers investments managed by private equity, hedge fund, real estate and fund-of-funds sponsors.

Central Park Group provides a broad range of investment offerings tailored for institutions and qualified private client investors. It distributes offerings through U.S. brokerage firms, registered investment advisors, financial planning firms and family offices.

Central Park Group's founding partners are a respected team of investment professionals with significant experience across the spectrum of alternative investments and traditional asset management.

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