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ALTERNATIVE INVESTMENT PRIMER

PRIVATE EQUITY

OVERVIEW

Private equity investors seek to acquire quality assets at attractive prices and use operational expertise to enhance portfolio company value and improve performance.[1] Today, private equity assets total $2.4 trillion and, since 2013, have been growing by $500+ billion per year.[2]

Historically, investors have looked to private equity as a potential source of attractive returns, low correlation to other asset classes, diversification from public securities and the possibility of returns greater than those otherwise available in the public markets.[3] For the taxable investor, an added benefit is that the majority of returns may receive favorable long-term capital gains treatment. Of course, private equity investments involve substantial risks, including, but not limited to, a loss of capital.

INVESTMENT OPPORTUNITIES THROUGHOUT A COMPANY'S LIFE CYCLE

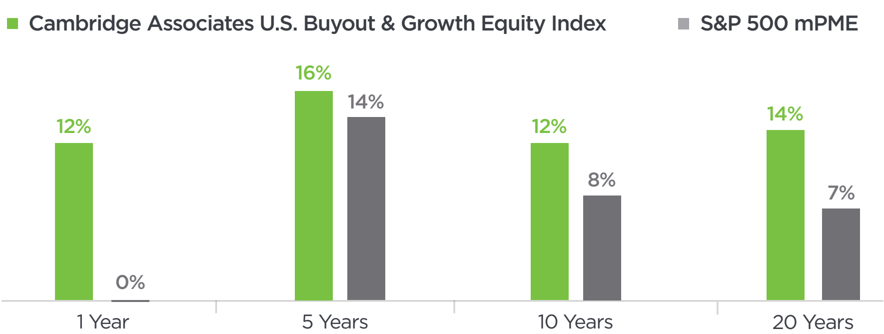
START-UP

Venture Capital	Conceiving & creating companies
Growth Capital	Building companies
Special Situations	Value investments with significant upside potential
Leveraged Buyouts	Opportunities for growth & add-on acquisitions

ESTABLISHED COMPANY

PRIVATE EQUITY HISTORICAL RETURNS

Cambridge Associates U.S. Buyout and Growth Equity Index has outperformed the S&P 500 over 1, 5, 10 and 20 years.[4]



Past performance is not indicative of future results. Modified Public Market Equivalent ("mPME") is a proprietary private-to-public comparison calculation created by Cambridge Associates that evaluates what returns would have been achieved had the dollars invested in private investments been invested in public markets instead.

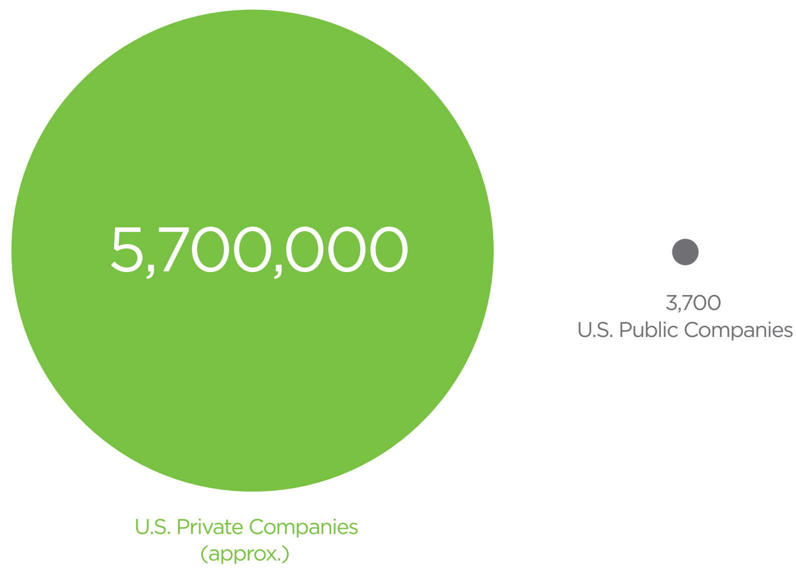
Private equity has been typically limited to institutional investors. High net worth investors have had limited access due to large investment minimums (some as high as $20 million), qualified purchaser status (generally requiring at least $5 million in investable assets), liquidity constraints, lack of access to top managers and insufficient resources to conduct due diligence. Today, a number of fund structures enable high net worth investors to access private equity, with reduced minimums, in client- friendly formats. They provide an opportunity for private clients to diversify private equity exposure across managers, strategies, geographies and vintage years.[3]

THE FUNDAMENTALS

There are approximately 5.7 million private companies in the United States,[5] compared to only 3,700 public companies.[6]

EXPANDED OPPORTUNITY SET

The opportunity set of private companies is substantially larger than publicly traded companies.



Buyout firms acquire private companies, divisions of larger companies and public companies (by taking them private). Private equity specialists then seek to uncover operational and pricing inefficiencies, unlock value and reposition the company for sale at a profit. The focus is on long-term value creation.

INVESTMENT PROCESS

Seeks to:[7]

Private equity seeks to uncover operational inefficiencies, enhance value and reposition the company for sale at a profit.

Source →

- Identify target companies
- Conduct due dillegence
- Explore ways to add value
- Purchase at attractive valuations

Enhance Value →

- Improve operations, governance, capital structure and strategic position
- Create management incentive structure
- Focus on long-term vs. short-term stock price
- Align interests of owners and managers
- Attract and retain managerial talent

Exit

- Identify potential buyers
- Execute exit strategy
  - IPO
  - Recapitalization
  - Sale to strategic or financial buyer

SOURCING TARGET COMPANIES

Many buyout firms were founded, and are managed, by individuals who previously led large investment banking groups or served as CEOs and senior executives of large publicly traded companies. Others have founding partners who trace their roots to senior legal, government or consulting positions. As a result, these firms are often introduced to potential transactions through an array of industry and financial contacts. A key differentiator for a private equity firm may be the breadth and depth of the partners' network.

Having advised, managed, acquired and sold numerous companies in a particular industry, some buyout firms have extensive industry experience and a keen understanding of business cycles, competition, valuations, product development and financial innovations. Moreover, they may have access to industry leading management and operating teams. Private equity is often called "patient capital" meaning that managers can take their time to identify attractive targets and attempt to improve longer-term prospects for the company.

PRIVATE EQUITY FIRMS

It is critical to invest with private equity firms that are nimble. Investors should seek out firms with the resources, operational skills, due diligence discipline, financing savvy, financial acumen, dry powder and experience to identify opportunities and navigate risks. It is common practice for private equity managers to invest their own capital alongside that of their investors, providing an added incentive for the manager to deliver attractive results and avoid irresponsibly risky investments. [8]

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PRIVATE EQUITY MANAGER SELECTION CHECKLIST

Key considerations when selecting a manager:

- ✓ Track record: performance and duration
- ✓ Quality of investment professionals: experience and education
- ✓ Areas of specialization: relevance to current and future market environments
- ✓ Alignment of interest: size of manager's capital invested in fund[8]
- ✓ Reputation: integrity and stability
- ✓ Client list: comprised of well-regarded and successful investors

For illustrative purposes only. Not a complete list.

DUE DILIGENCE

Due diligence may provide an investment edge to the private equity investor. Unlike traditional investors who are dependent on publicly available data, private equity investors have access to significantly more information. Typically, private equity investors enter into confidentiality agreements with a target company to obtain information that is not available to other investors. This may provide a deeper understanding of appropriate valuations to be paid, operational inefficiencies, competitive market position, optimal financing and deal structures and, finally, an anticipated exit strategy. Like all investors, buyout investors seek to "buy low," at attractive valuations, and "sell high." But unlike traditional investors, the buyout investor typically invests for control, becomes an owner/operator and seeks to align the interests of management and owners.

To unlock the value of a company, the buyout manager focuses on improving operations, performance, governance, capital structure, financial expertise and strategic positioning.

MANAGING THE PURCHASED COMPANY

Shareholders of publicly traded securities are, in effect, "silent partners" — they have limited power to influence change. In contrast, private equity firms typically have full control of the company and all aspects of its financial and operational strategies. Often, the private equity firm will supplement or change the existing management team with, what it believes to be, industry leadership. This is especially the case for premier private equity firms which often buy market leading businesses that attract top industry talent.

Management of a private firm is able to focus on strategic initiatives and longer-term objectives without the quarter-to-quarter earnings and shareholder pressures inherent in operating a public company. To unlock the value of a company, the buyout manager focuses on improving operations, performance, governance, capital structures financial expertise and strategic positioning.

VALUE CREATION

The success of many private equity investments may be traced, in large part, to the new owner's ability to assess the requisite operational improvements that will create value for the acquired company. Potential areas for operational improvement may include: back office, infrastructure, technology, product design, distribution, marketing, sales and service. Selecting operating initiatives with the greatest potential to add meaningful value may present one of the most critical challenges to the private equity team. Hands-on management will seek to reduce expenses, grow revenue, increase buying power and perhaps find synergies with other platforms or portfolio companies.

EXIT

Ultimately the goal of private equity is to cause a realization event to occur, such as a public offering, recapitalization or sale to a strategic or financial buyer.

THE FUNDS

Private equity firms, most often private partnerships, raise pools of capital from investors and invest on their behalf utilizing committed fund capital together with money borrowed from banks and other lenders. Generally, the private equity firm earns a management fee of 1% - 2% on committed capital and a 20% carried interest/performance fee on realized gains, typically, only after fees, expenses and a hurdle rate (generally 8% - 9%) have been achieved. Carried interest may be subject to a "clawback" provision, so that any carried interest earned is conditional and must be repaid to investors if the threshold return is not achieved on the overall portfolio.

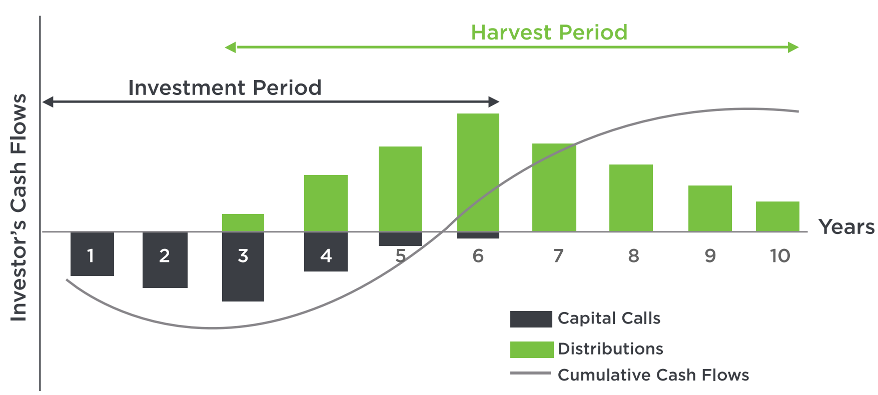
Investors making commitments to private equity funds today (in this "vintage year") are making "commitments" — not fully funding "investments."

It is important to point out that investors making commitments to private equity funds today (in this "vintage year") are making "commitments" — not fully funding "investments." In other words, committed capital will be drawn down from investors and put to work over the next 3-6-year period, allowing the private equity manager to be opportunistic in future economic environments. Capital is distributed as investment exits are realized (typically years 3-10) and distributions may begin before an entire commitment is drawn. Most investment gains are realized in the latter part of a fund's life, as portfolio holdings are sold.

While investors commit a specific allocation to private equity funds, only a portion of the commitment is actually invested at any given time.

As seen in the J-curve (below), while investors commit a specific allocation to private equity funds, only a portion of the commitment is actually invested at any given time. To maintain a desired allocation to private equity, investors may elect to increase private equity commitments or supplement existing commitments as capital is distributed.

THE "J-CURVE"



Does not contemplate fees, expenses, and carried interest. For illustrative purposes only and is not meant to provide investment returns or performance of any fund.

INVESTMENT TYPES

Institutional investors typically access private equity through new funds (primaries), mature, existing funds acquired from other investors (secondaries) or direct investments alongside a fund manager (co-investments).

Primaries	**Interests in new funds acquired directly from the sponsor**
Secondaries	**Existing fund interests acquired from other investors** **Typically with existing investments and unfunded commitments**
Co-Investments	**Direct investments in a company alongside fund manager** **Typically no management fee or carry**

Secondaries and co-investments offer a number of important benefits. Secondaries enable greater diversification across vintage years, strategies, geographies and managers. Because secondaries typically have existing investments, they offer the potential for insight into existing holdings, earlier return of capital and reduced fees. Co-investments offer the opportunity to participate in incremental holdings, typically with no management fee.

ACCESS

Historically, it has been difficult for high net worth investors to access private equity and invest with top quartile managers. Private equity funds have limited access and significantly higher investment minimum requirements versus most traditional investments. Direct investments in private equity funds often require a minimum commitment of at least $10-$20 million.

In recent years, "access fund" structures have enabled high net worth individuals and smaller institutions to invest in private equity. These funds purchase a unit in an institutional private equity fund with capital aggregated from many investors and provide due diligence, capacity, education, client service and operational support. They enable individual investors access to private equity funds with a reduced minimum commitment. Generally, investors must be qualified purchasers ($5 million in qualified investments for an individual) and be able to commit capital to a long-term illiquid investment.

More recently, investors have been able to access private equity through registered private equity funds-of-funds. This structure enables investors with $1 million net worth (generally, for individuals excluding residence, $5 million for an entity) to invest in a portfolio of private equity funds with substantially reduced minimums. These funds-of-funds typically offer active portfolio management and may focus on particular private equity managers, strategies or vintage years. Some may offer additional benefits including limited liquidity, enhanced tax reporting and reduced J-curve.

INVESTOR CONSIDERATIONS

While the benefits of investing in private equity may be considerable, private equity is not for everyone. Of course, private equity investments involve significant risks, including a total loss of capital. The risks associated with private equity arise from several factors, including: limited diversification, the use of leverage, limited liquidity and capital calls made on short notice (failure to meet capital call obligations may result in consequences including a total loss of investment).

Qualified investors who appreciate the risks and potential rewards of private equity may wish to consider an appropriate allocation to the strategy.

END NOTES

1. Generally, this document focuses on descriptions of leveraged buyout investing. See Commonly Used Terms.
2. As of June 2015. Sources: Preqin 2016 Private Equity Report and Bain Capital 2016 Private Equity Report.
3. Diversification does not ensure profit or protect against loss.
4. Source: Cambridge Associates Global Buyout & Growth Equity Index & Selected Benchmark Statistics, as of September 30, 2015 (published February 2016), the most current information available. Cambridge U.S. Buyout & Growth Equity Index is an end-to-end calculation based on data compiled from 945 U.S. buyout and growth equity funds including fully liquidated partnerships, formed between 1986 and 2015, pooled end-to-end return, net of fees, expenses and carried interest. Cambridge Associates Modified Public Market Equivalent ("mPME") replicates private investment performance under public market conditions. The public index's shares are deemed purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund. The S&P 500® includes 500 leading companies, captures approximately 80% coverage of available market capitalization and is regarded as a gauge of large-cap U.S. equities. Central Park Group believes that comparisons to public market indices, including on an mPME basis, provide useful information to investors. However, investors should be aware of limitations of the comparisons which provide only one approach to comparison of returns. Prospective investors should consider comparisons to other indices and benchmarks. Indices are provided for illustrative purposes only. Investors cannot invest directly in an index.
5. Source: "Corporate Investment and Stock Market Listing: A Puzzle?" John Asker, Joan Farre-Mensa, Alexander Ljungqvist, October 4, 2014.
6. Source: "Where Have All the Public Companies Gone?" Barry Ritholtz, Bloomberg View, June 24, 2015.
7. Source: The Private Equity Council, "Public Value: A Primer on Private Equity." Not all criteria are considered with respect to all private equity investments; other factors may be considered and not all investments will be successful. For illustrative purposes only.
8. The investment of employee or proprietary capital may lead to conflicts of interest.

This document is intended to provide interested persons with insight on private equity 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.

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 such as private equity. There is no assurance that objectives will be achieved or that an investment program will be successful. Investors in funds-of-funds bear management fees as well as other fees, incentive allocations, if any, and expenses imposed by the funds-of-funds as well as those of the underlying funds. Investors in access funds bear an additional layer of fees and expenses. Private equity involves capital calls that may be made on short notice and failure to meet the capital calls can result in consequences including, but not limited to, a total loss of investment.

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 June 2016. 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

Cambridge Associates Modified Public Market Equivalent ("mPME") – Replicates private investment performance under public market conditions via a mathematical analysis. mPME attempts to answer the fundamental question investors ask themselves about their private investments: are the returns from private investments worth the illiquidity and administrative burden incurred? The public index's shares are deemed purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund. With each distribution, mPME "sells" the same proportion of the dollar value of shares owned by the public equivalent as the private investment sells in private shares. The mPME attempts to evaluate what return would have been earned had the dollars been deployed in the public markets instead of in private investments while avoiding the "negative NAV" issue inherent in some PME methodologies. The same metrics typically used to evaluate private investments, like multiples of invested capital and internal rates of return (IRR), can also be generated in mPME analyses. Central Park Group believes that comparisons to public market indices, including on an mPME basis, provide useful information to investors. However, investors should be aware of limitations of the comparisons which provide only one approach to comparison of returns. Prospective investors should consider comparisons to other indices and benchmarks. Indices are provided for illustrative purposes only.

Cambridge Associates U.S. Buyout & Growth Equity Index – Cambridge U.S. Buyout & Growth Equity Index is an end-to-end calculation based on data compiled from 945 U.S. buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 & 2015, pooled end-to-end returns, net of fees, expenses and carried interest.

Capital Call – Private equity funds call capital from their investors as needed to fund investments.

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

Indices – Provided for illustrative purposes only. They do not represent benchmarks or proxies for the return of any particular security holding or alternative investment. The indices referenced in this document do not reflect the performance of any individual account. Indices are unmanaged, include the reinvestment of dividends, do not reflect the impact of management or performance fees and are not available for investment. One cannot invest directly in an index.

General Partner – General Partners are responsible for managing the investments within the private equity fund. For their services, they earn a management fee and a percentage of the fund's profits, called carried interest. The general partners can be legally liable for the actions of the fund.

Internal Rate of Return ("IRR") – The implied discount rate at which the present value of future cash flows equals the cost of the investment.

J-Curve – Illustrates the historical tendency of private equity funds to deliver negative returns in early years and investment gains in the outlying years as the portfolios of companies mature.

Leveraged Buyout – Takeover of a company using borrowed funds. Generally, the target company's assets are used as security for the loans taken out by the acquiring firm, which repays the loan out of cash flow of the acquired company.

Limited Partner – Usually institutional or high net worth investors investing in a private equity fund. Limited partners do not take part in the fund's active management. They are protected from losses beyond their original investment as well as any legal actions taken against the fund.

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.

Qualified Purchaser – Generally, an individual or beneficiary of an IRA/participant-directed plan or family trust/entity with $5 million in qualified investments. Generally, an entity with at least $25 million in qualified investments. (Certain entities may be subject to additional requirements).

Vintage Year – The year in which an Investment Fund begins investing.

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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