

# AETOS CAPITAL

## Fresno County Employees' Retirement Association

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*Confidential Discussion Materials*

February 3, 2016

Investing in hedge funds involves substantial risks, including the risk of loss of invested capital. Hedge fund investments are typically made through investments in illiquid, unregulated investment funds that employ sophisticated investment techniques, often involving derivatives and leverage, in a wide range of financial instruments and markets. These investments entail a wide variety of risks, which remain substantial notwithstanding the risk management practices we employ in selecting and monitoring the funds in which we invest. Potential investors in hedge funds are urged to familiarize themselves with these risks before investing.

# TABLE OF CONTENTS

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<b>Section I</b>	Firm Overview
<b>Section II</b>	FCERA-Aetos Relationship
<b>Section III</b>	Proposed Investment Solution and Implementation
<b>Section IV</b>	Fee Proposal
<b>Appendix A</b>	Aetos Capital Separate Account Composite
<b>Appendix B</b>	Case for Hedge Fund Investing
<b>Appendix C</b>	Custom Reports
<b>Appendix D</b>	Biographies

**SECTION I**

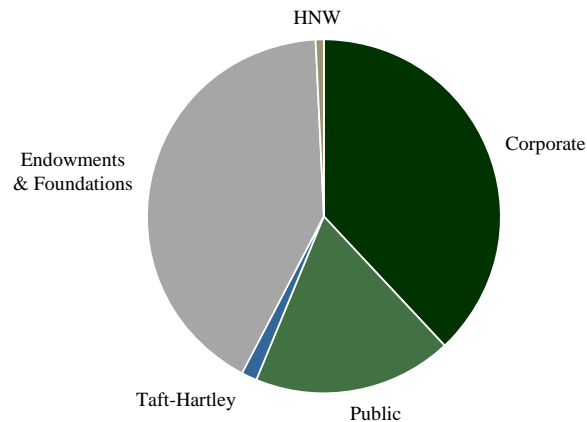
**Firm Overview**

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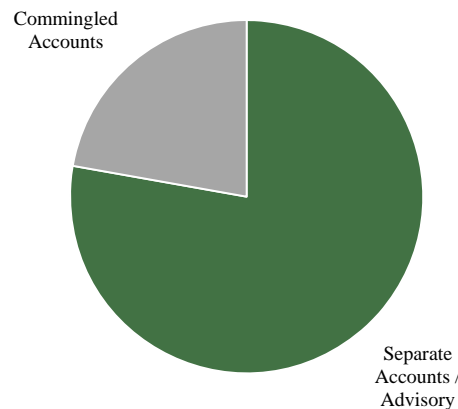
## FIRM OVERVIEW

- Founded in 2001, Aetos Alternatives Management, LLC (“Aetos”) has focused since inception exclusively on providing alternative investment solutions for institutional clients
- Aetos has served as a hedge fund advisor working with large, sophisticated institutions to create customized portfolios starting with our first client in 2001
- Our broad senior investment team has worked together for over a decade and is responsible for our long-term track record. Each of our four partners has been with the firm since inception
- Aetos is independently-owned and managed by its founding partners

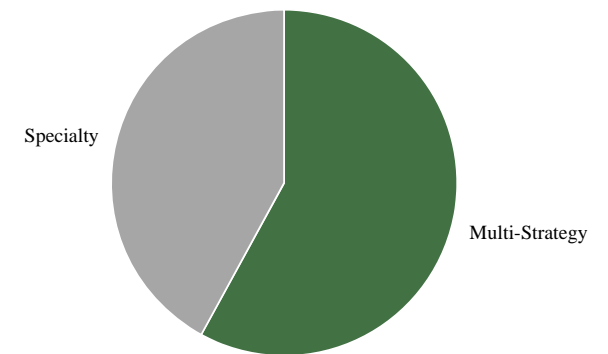
**Client Type**  
109 Clients / \$10,646 Million AUM<sup>1</sup>



**Implementation**

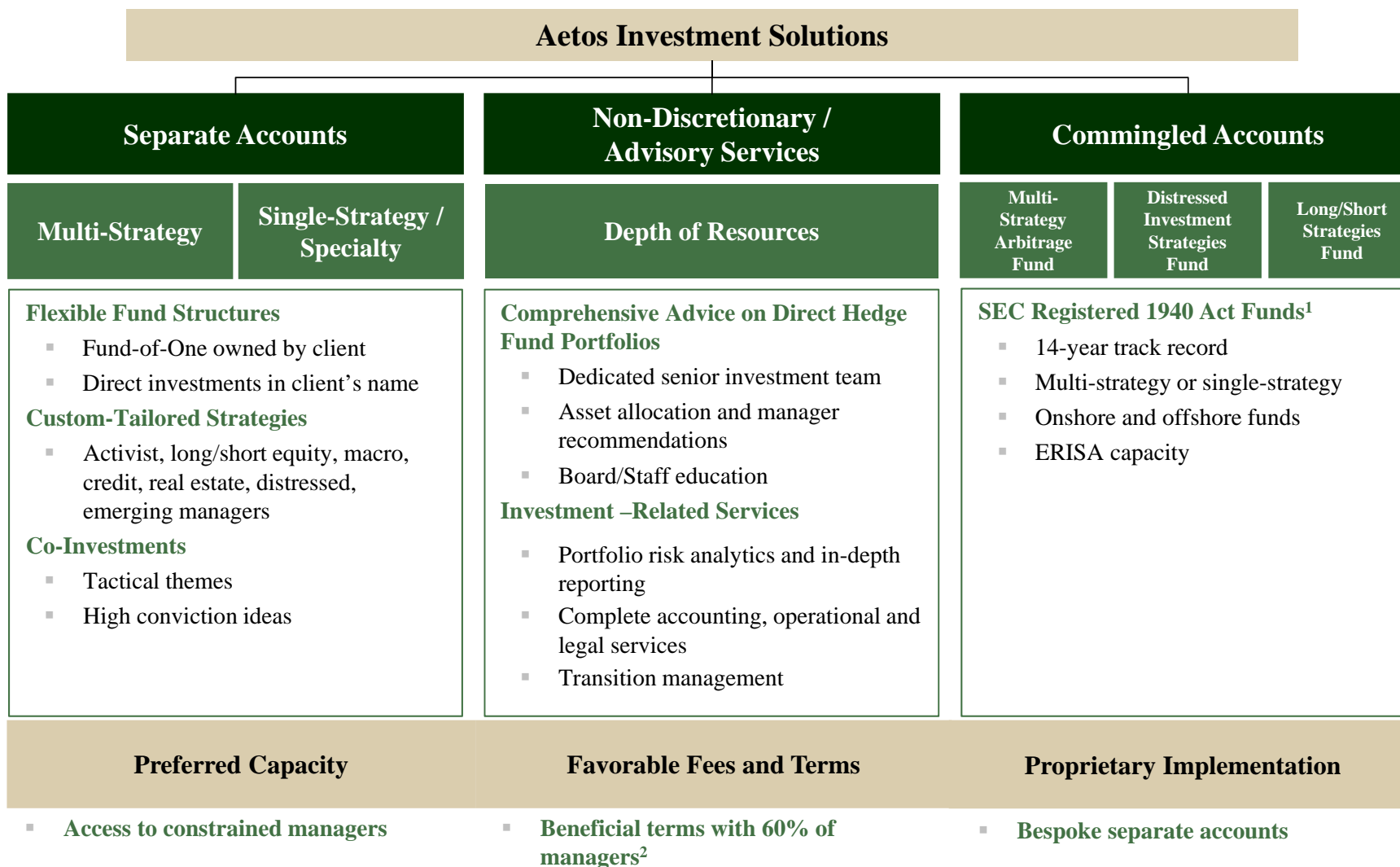


**Strategy**



<sup>1</sup> As of November 30, 2015.

# INVESTMENT SOLUTIONS



<sup>1</sup> Aetos is a registered investment advisor with SEC-registered 1940 Act investment vehicles. Such registration does not imply in any manner whatsoever that Aetos has been sponsored, recommended, or approved, or that its abilities or qualifications have in any respect been passed upon by the United States or any agency or any office thereof. *You should consider the investment objectives, risks and charges and expenses of the Aetos Funds carefully before investing. The prospectus contains this and other information. Please call 212-201-2540 to request a prospectus and read it carefully before investing.*

<sup>2</sup> Information as of January 1, 2015, and excludes managers under redemption.

## ORGANIZATIONAL OVERVIEW

Investment Committee				
Anne Casscells <i>Co-President Chief Investment Officer</i>	Michael F. Klein <i>Co-President Chief Risk Officer</i>	James T. Gibbons <i>Managing Director Senior Portfolio Manager</i>	Jonathan Bishop, CFA <i>Managing Director Portfolio Manager / Research</i>	Andrew Walling, CFA <i>Managing Director Portfolio Manager / Research</i>
Portfolio Management and Research			Operational, Business and Legal Due Diligence	
Anne Casscells <i>Chief Investment Officer Yale University, B.A. Stanford University, M.B.A.</i>	James T. Gibbons <i>Senior Portfolio Manager Georgetown University, B.S.</i>		Michael F. Klein <i>Chief Risk Officer Colgate University, B.A. Boston College, J.D.</i>	
Jonathan Bishop, CFA <i>Managing Director Portfolio Manager / Research University of Virginia, B.S.</i>	Andrew Walling, CFA <i>Managing Director Portfolio Manager / Research Princeton University, B.A. Stanford University, M.B.A.</i>		Harold J. Schaaff <i>Managing Director Chief Legal Officer Brown University, B.A UCLA, J.D.</i>	Joseph J. McDonald <i>Managing Director Operational Due Diligence Cornell University, B.A. Columbia University, M.B.A.</i>
Nate Blair <i>Director Research Rice University, B.A. Stanford University, M.B.A.</i>	Filbert Cua <i>Director Research University of Pennsylvania, B.S., B.A.S. Stanford University, M.B.A.</i>		Reid Conway <i>Director Chief Compliance Officer Stanford University, B.A. New York University, M.B.A.</i>	Scott Sawyer <i>Director Chief Financial Officer Bucknell University, B.S.</i>
Michael Spath <i>Director Economic Research Brown University, B.A.</i>	A.J. Chen, CFA <i>Vice President Research University of California, Berkeley, B.A.</i>	Daniel Fagan, CFA <i>Vice President Research Stanford University, B.A.</i>	Nicole Ispass <i>Vice President Accounting / Tax Services University of Wisconsin, B.S.</i>	Zaniffa Hosein <i>Assistant Vice President Accounting / Tax Services Polytechnic Institute of Commerce, B.S.</i>
Ryan Fuh <i>Research Associate Princeton University, A.B.</i>	Juna Lee <i>Research Analyst Stanford University, B.S.</i>	Nicholas Lee <i>Research Analyst University of California, Berkeley, B.S.</i>	Valerie Romeo <i>Associate Compliance Rutgers University, B.A.</i>	Mike Sheehan <i>Associate Operational Due Diligence Loyola University Maryland, B.A.</i>
Client Relations and Business Development Team			Information Technology, Business Management and Administration	
James G. Conzelman III John Stimpson Elizabeth A. Leung Bridget M. McKenna, CFA			Drew M. Poffel, CFA Anna M. Li Giselle Salcedo-Henriquez	
			Lauren Clepper Angela Duffy Debi Gewirtz Dawn Griffin Joan Hopkins	
			Inara Koshkarli Chuck McClendon Marie McHugh Salah Siraj	

# INVESTMENT PHILOSOPHY AND PROCESS

## Investment Philosophy

### Objective

- **Tailored Solutions**  
We believe in partnering with clients to provide custom tailored solutions across the spectrum of hedge fund strategies
- **Capital Preservation**  
We are focused on the goal of preserving capital and maximizing alpha
- **Uncorrelated Returns**  
We build portfolios that possess diversified market exposures and thus seek to generate consistent and uncorrelated returns throughout market cycles

### Approach

- **Risk Management Focus**  
We follow a disciplined and repeatable investment approach where risk management is integrated throughout every step
- **Fundamental Investors**  
We invest with fundamentally-oriented managers who provide portfolio transparency and access to principals
- **Institutional Quality Managers**  
We focus on a subset of institutional-quality managers with demonstrated skill, deep infrastructures, internal risk management controls, sustainable performance, and consistent risk profiles

## Investment Process



## INTEGRATED RISK MANAGEMENT

*Risk management is integrated in every step of the investment process where we evaluate risk in each of its constituent parts and focus on the key variables in each*

### Operational and Management Risk

- Control Environment
- Pricing & Valuations
- Transparency & Reporting
- External Service Providers
- Systems & Disaster Recovery
- Trading, Settlement & Reconciliation
- Accounting & Audit
- Quality of Franchise
- Alignment of Interests
- Organizational Stability
- Investment Discipline
- Integrity & Ethics
- Client Mix
- Legal

### Investment and Quantitative Risk

- Value at Risk
- Factor Risks & Exposures
  - Equity
  - Fixed Income
  - Credit
  - Volatility
  - Concentrations
  - Derivatives
  - Leverage
- Correlations
- Performance Attribution
- Liquidity
- Scenario Analysis & Stress Tests
- Strategy & Manager Diversification Exposure Profiles
- Portfolio-level risks

**Aetos would work with FCERA to conduct operational risk assessment and due diligence on the total hedge fund program, including direct investments, and would provide FCERA with our documented processes, analyses, and insights**

### Operational, Business and Legal Due Diligence Team

- Part of integrated risk management since inception
- Our Co-President / Chief Risk Officer leads 9-member team and maintains a veto over all prospective investments
- Dedicated specialists for each of the following key areas of operational and business risks:
  - Legal and Compliance
  - Pricing and Valuation
  - Counterparty Risk
  - Audit
  - Administration
  - Systems and Trading
- Evaluates managers from the beginning of our investment process as a opposed to a simple “check” at the end
- Provides ongoing monitoring of underlying hedge funds on a regular basis



## WHY AETOS AS HEDGE FUND PARTNER?

### 14 Years of Advising Clients on Hedge Fund Investments

<b>Significant Investor in Hedge Funds</b>	<ul style="list-style-type: none"> <li>At \$10 billion<sup>1</sup>, Aetos is large enough to access the most sought after hedge funds, yet nimble enough to identify unique alpha sources and negotiate fee savings and other favorable terms on behalf of clients. Our size allows us to invest with only our highest conviction managers – we do not have to compromise quality in order to put money to work</li> </ul>
<b>Full Solution Provider</b>	<ul style="list-style-type: none"> <li>Few firms have the experience to offer a complete hedge fund solution: multi-manager portfolios, co-investments and assistance with direct hedge fund investments</li> </ul>
<b>Non-Discretionary / Advisory Expertise</b>	<ul style="list-style-type: none"> <li>Since inception in 2001, Aetos has assisted clients in building out direct hedge fund programs, including full implementation from program design to execution, monitoring and reporting</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>Established training program focused on best practices: role of hedge funds; sub-strategy allocation; investment/operational due diligence; risk management and ability to accommodate any level of Board and/or Staff involvement, including participation in manager meetings, with regular and direct access to senior Aetos investment staff</li> </ul>
<b>Fiduciary Perspective</b>	<ul style="list-style-type: none"> <li>Senior investment professionals each have 20+ years of hedge fund investing experience as fiduciaries, led by Aetos Co-President Anne Casscells, who previously served as CIO of Stanford Management Company</li> </ul>
<b>Independence</b>	<ul style="list-style-type: none"> <li>As an independent investment-focused organization with no private equity or corporate ownership, Aetos' interests are fully aligned with those of our clients to produce the highest quality, objective advice for clients</li> </ul>

<sup>1</sup> Assets under management as of November 30, 2015.

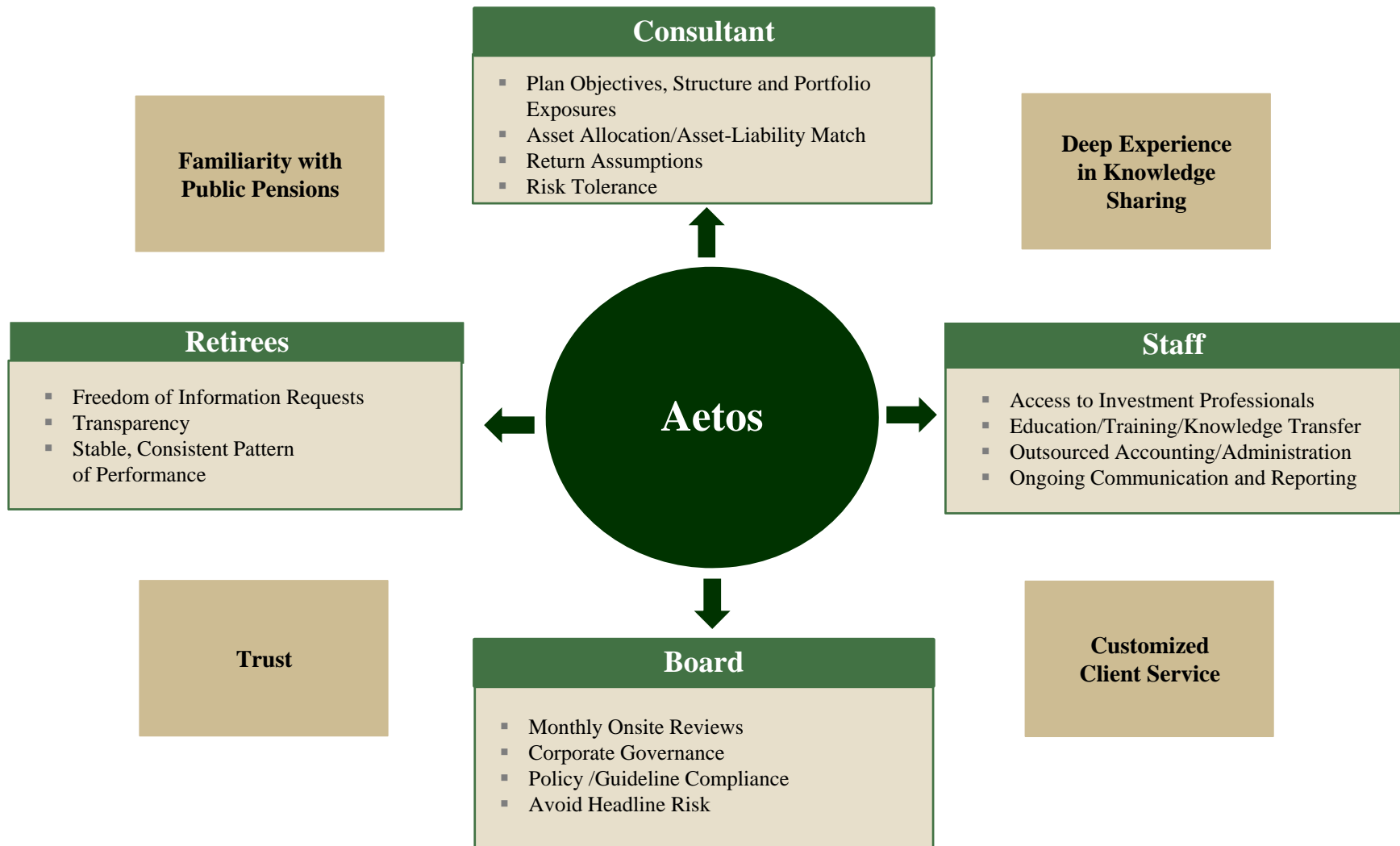
**SECTION II**

**FCERA-Aetos Relationship**

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# UNDERSTANDING FCERA'S PENSION FUND AND STAKEHOLDERS

*Aetos will customize product design and relationship based on what is important to FCERA and its stakeholders*



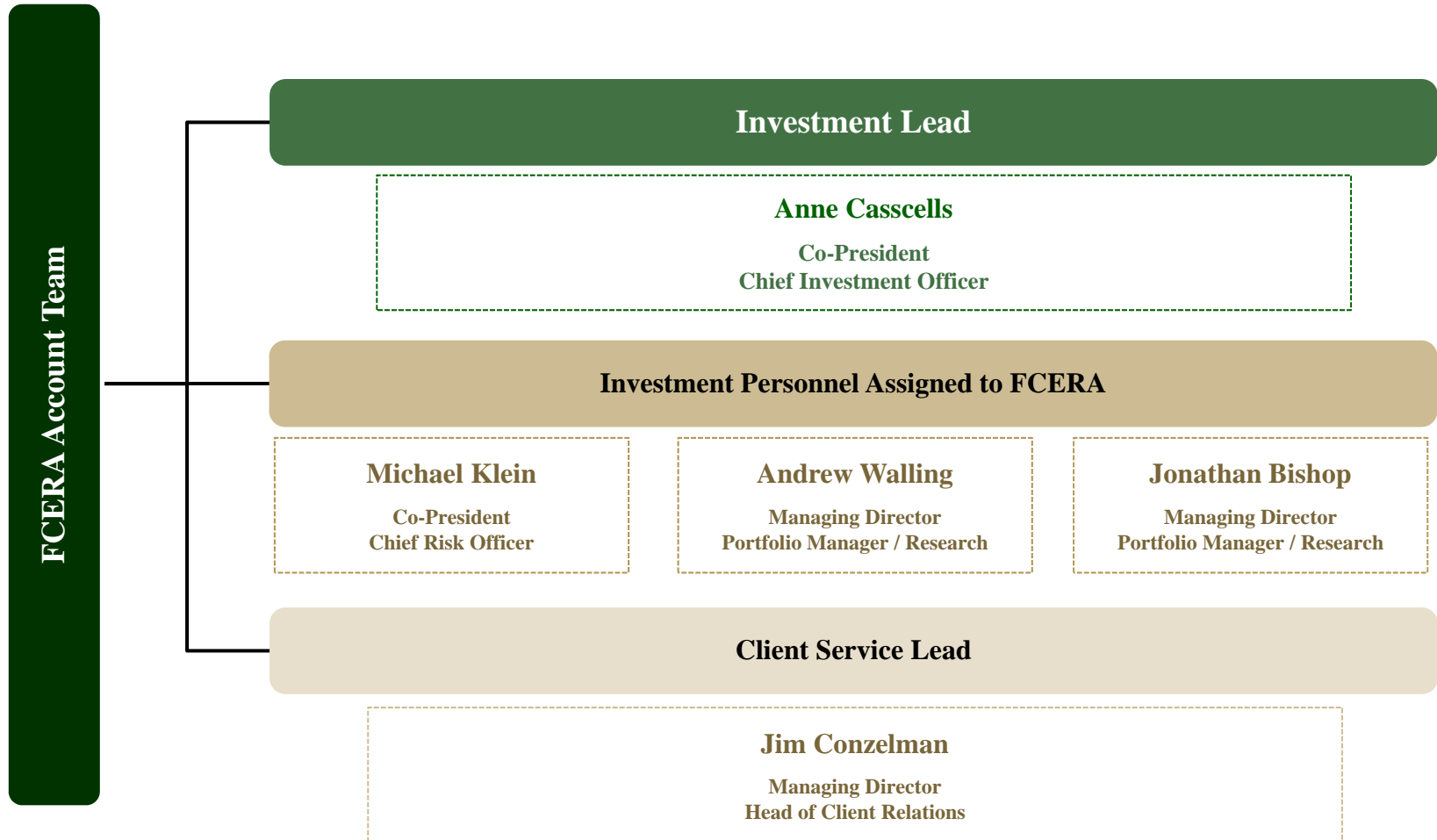
## AETOS/FCERA TEAM

*Aetos employs a fully customized approach for each client with a team of senior professionals assigned to each relationship who are responsible for initial account implementation, all portfolio duties and ongoing communication*

**Experienced**

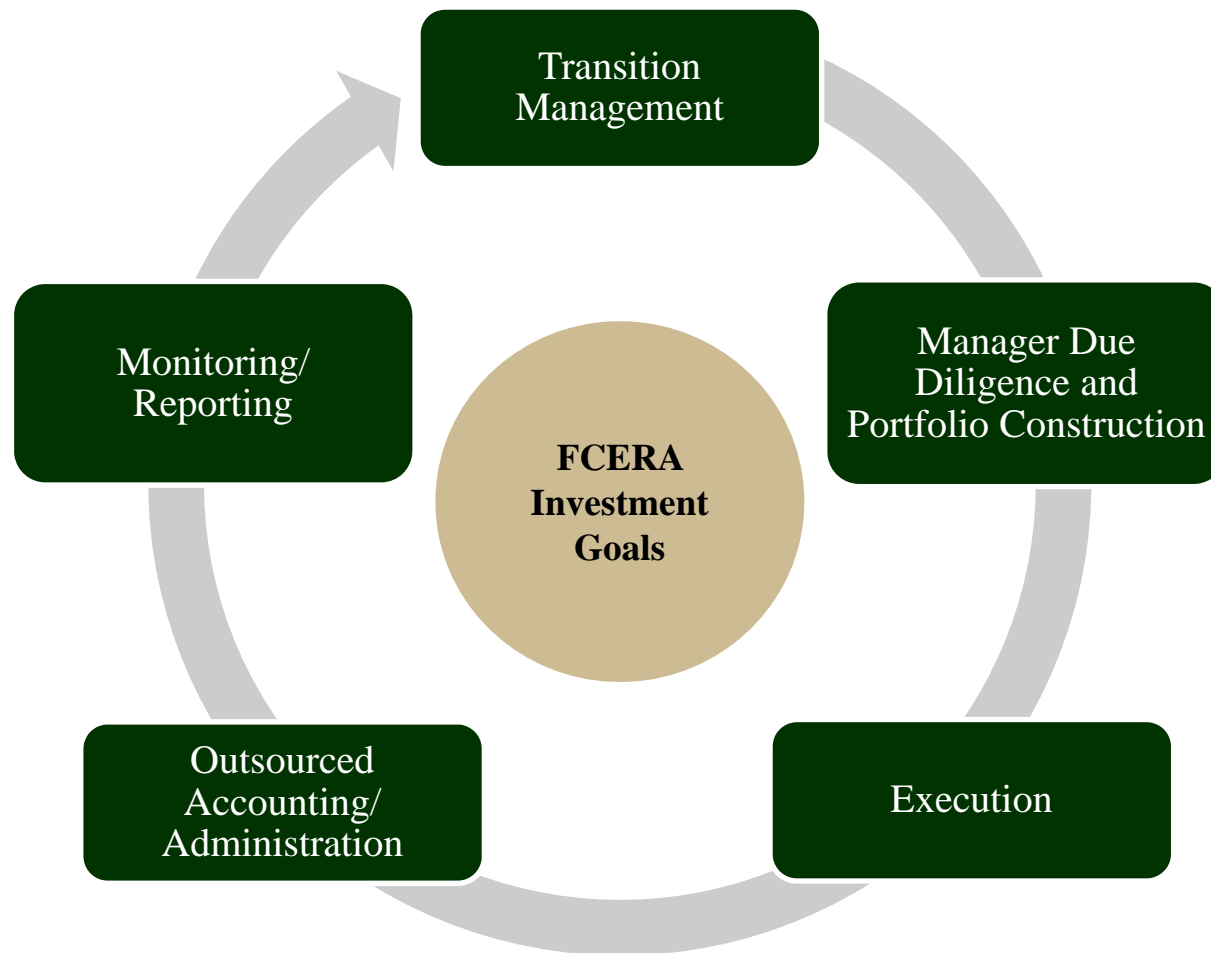
**Dedicated**

**Trustworthy**



## IMPLEMENTATION: WHAT FCERA CAN EXPECT FROM AETOS

*Aetos proposes a five-step onboarding process that is comprehensive, flexible and collaborative in order to meet FCERA's time frame, goals and investment objectives*



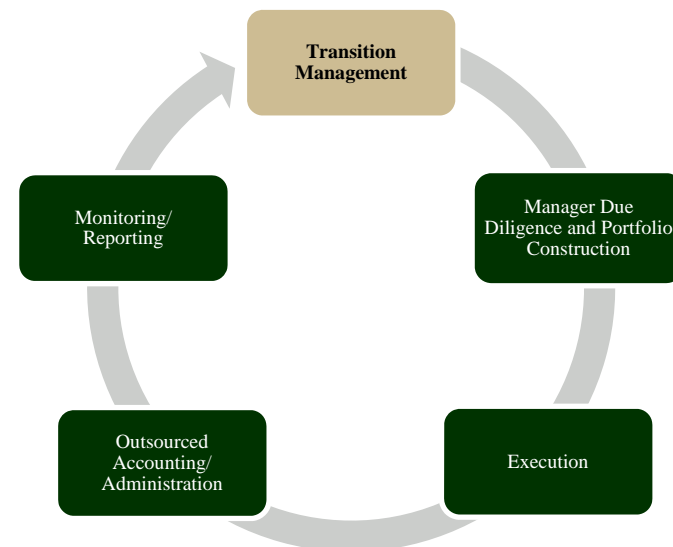
## STEP 1: TRANSITION MANAGEMENT

*Transitioning assets for public sector pension plans and other institutional clients is a core competency at Aetos*

<p><b>Establish New Investment Plan</b></p>	<ul style="list-style-type: none"> <li>Establish portfolio objectives, policy guidelines and procedures, risk/return parameters, liquidity, beta, geographic, sector constraints and fund structures in partnership with FCERA and Verus</li> </ul>
<p><b>Liquidity Analysis</b></p>	<ul style="list-style-type: none"> <li>Perform initial analysis of FCERA’s existing FoHF to determine liquidity schedule, redemption terms and lockup/early redemption provisions and minimize time out of the market</li> </ul>
<p><b>Coordination with Service Providers</b></p>	<ul style="list-style-type: none"> <li>Coordinate the liquidation of FCERA’s existing FoHF with Verus and manager</li> <li>Structure fund vehicle and work with FCERA to select third-party administrator, auditor, etc., as needed</li> </ul>

**Aetos Advantage**

- ✓ Aetos has successfully transitioned more than \$3 billion in assets on behalf of public sector pension plans and other institutional clients



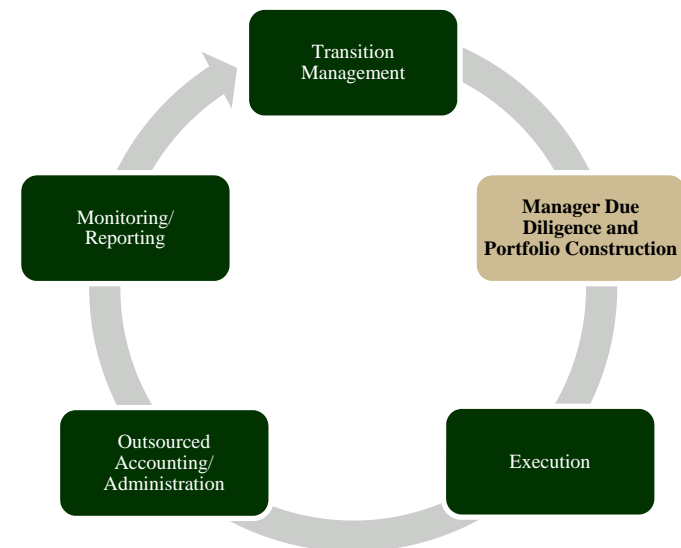
## STEP 2: MANAGER DUE DILIGENCE AND PORTFOLIO CONSTRUCTION

*Aetos' approved list of hedge fund managers is diversified by manager size, strategy/sub-strategy, and geographic focus, providing FCERA with access to both well-established and emerging managers globally*

<b>Strategy Allocation</b>	<ul style="list-style-type: none"> <li>Propose fully-documented strategy allocation customized to targeted return, risk, correlation, beta, and other factors</li> </ul>
<b>Manager Due Diligence and Recommendations</b>	<ul style="list-style-type: none"> <li>Perform extensive investment and operational due diligence and propose specific manager allocations to Board/Staff supported by detailed written recommendations</li> </ul>
<b>Portfolio Optimization</b>	<ul style="list-style-type: none"> <li>Employ a constrained mean-variance optimization process to generate efficient frontiers and optimize portfolio incorporating Board/Staff feedback</li> </ul>
<b>FCERA Sign Off</b>	<ul style="list-style-type: none"> <li>Present managers and portfolio weightings for final approval</li> </ul>

### Aetos Advantage

- ✓ Investment Committee at Aetos has more than 100 years of collective investment experience
- ✓ At \$10 billion<sup>1</sup>, Aetos is a significant investor in hedge funds and leverages size and depth of relationships with managers to negotiate preferred access and favorable terms



<sup>1</sup> Assets under management as of November 30, 2015.

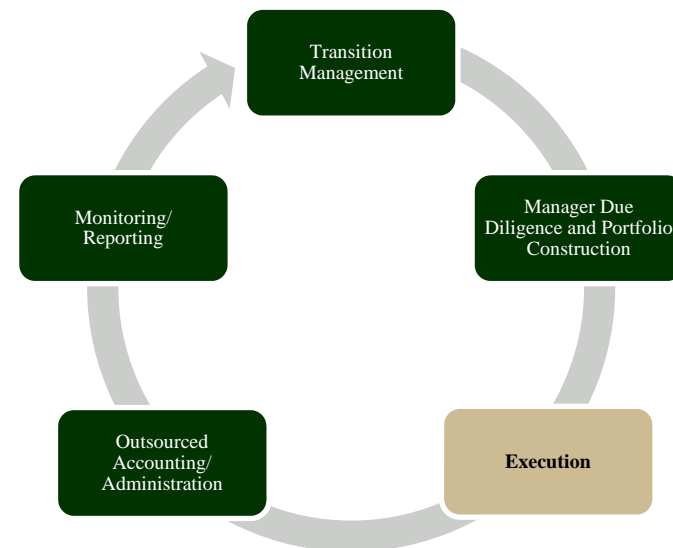
## STEP 3: EXECUTION

*Aetos will manage the full implementation of FCERA's hedge fund program, including associated legal processes and the seamless execution of all cash movements*

<p><b>Legal Review and Manager Negotiations</b></p>	<ul style="list-style-type: none"> <li>▪ Review all manager documentation for each approved hedge fund investment</li> <li>▪ Negotiate favorable fees, fund terms, L.P. protections and side letters, including any FCERA requirements</li> </ul>
<p><b>Fund Subscriptions</b></p>	<ul style="list-style-type: none"> <li>▪ Coordinate all subscriptions and capital call requests with FCERA and its custodian</li> </ul>
<p><b>Wire Transfers with Underlying Managers</b></p>	<ul style="list-style-type: none"> <li>▪ Coordinate wire transfer instructions between custodian and underlying managers</li> <li>▪ Confirm transactions were executed</li> </ul>

**Aetos Advantage**

- ✓ Aetos has designed a flexible back office support function whereby the client retains investment discretion while Aetos is able to take responsibility for administrative tasks and processes





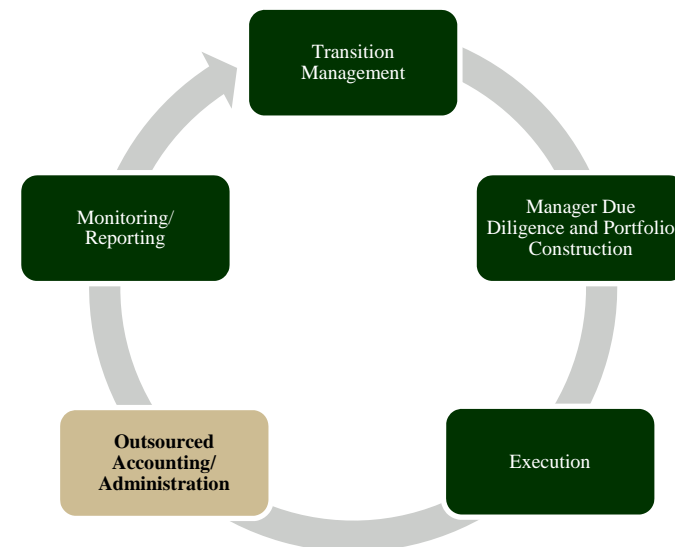
## STEP 4: OUTSOURCED ACCOUNTING/ADMINISTRATION

*Aetos will perform ongoing accounting and administration services, working closely with FCERA’s custodian/administrator*

<b>Trade Confirmation Assistance</b>	<ul style="list-style-type: none"> <li>Oversee the trade and fund flow for all subscriptions and redemptions, providing necessary documentation and confirming movement of cash</li> </ul>
<b>Share Class Accounting</b>	<ul style="list-style-type: none"> <li>Track multiple share classes in vehicle, as necessary, to ensure accurate allocation of fees and expenses</li> </ul>
<b>Liquidity Tracking</b>	<ul style="list-style-type: none"> <li>Provide FCERA with clear picture of program’s underlying liquidity on an ongoing basis</li> </ul>
<b>Tax Documentation Support</b>	<ul style="list-style-type: none"> <li>Ensure manager investments are made through an appropriate vehicle/domicile in consultation with FCERA’s tax advisors</li> </ul>
<b>Accounting/ Reconciliation</b>	<ul style="list-style-type: none"> <li>Take responsibility of validating the NAV of each underlying manager and aggregate performance results at the portfolio-level</li> </ul>

### Aetos Advantage

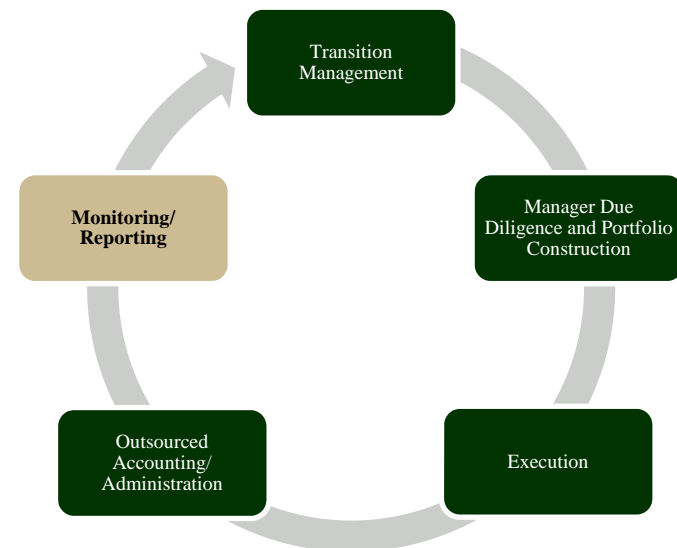
- ✓ Aetos has overseen direct hedge fund investments on approximately \$14 billion in client capital since the firm’s inception



## STEP 5: MONITORING / REPORTING

*Aetos continually evaluates the market environment, opportunity set and risk profile of each strategy and performs ongoing due diligence on individual managers*

<p><b>Investment Monitoring</b></p>	<ul style="list-style-type: none"> <li>Perform ongoing investment monitoring, including re-underwriting full investment and operational due diligence on an annual basis and providing detailed investment memoranda</li> </ul>
<p><b>Risk Analytics/ Macro Insights</b></p>	<ul style="list-style-type: none"> <li>Detailed position- and factor-based risk assessments and operational due diligence updates, macroeconomic and market developments</li> </ul>
<p><b>Portfolio Reviews</b></p>	<ul style="list-style-type: none"> <li>Aetos senior investment staff will be present in Fresno monthly for in-person portfolio reviews and discussions with board/staff</li> </ul>
<p><b>Reporting</b></p>	<ul style="list-style-type: none"> <li>In addition to servicing custom requests, Aetos offers comprehensive portfolio reporting and risk aggregation/ analytics capabilities including detailed monthly performance reports, quarterly write-ups covering manager and strategy attribution, customized risk analytics including Monte Carlo analysis, scenario analysis/stress testing and efficient frontier analysis</li> </ul>



### Aetos Advantage

- ✓ Aetos' CIO personally and formally reviews each underlying hedge fund's monthly monitoring reports with the research analyst responsible for the manager, totaling an estimated 8,500 individual manager reviews since 2001

## EDUCATION/TRAINING

*Aetos' full firm resources will be made available to FCERA Staff and Board for education and training, leveraging the firm's intellectual capital, experience in building comprehensive hedge fund programs and close proximity to FCERA*

### In-depth Training

- Aetos can **train FCERA Staff and Board on best practices** of our **multi-tiered due diligence process**, including investment due diligence, operational due diligence and risk management/aggregation
- Participate in multi-day **“shadow research program”** in which FCERA staff work side-by-side with Aetos staff in firm's Menlo Park office
- Training on **risk management tools** and technology

### Education

- Aetos will provide ongoing **education on hedge fund strategies and sub-strategies** in context of entire investment portfolio including long-only and absolute return
- Share formal **capital markets insights** and proprietary research on topical issues of interest to FCERA staff
- Dedicated sessions on **quantitative and qualitative evaluation of direct hedge fund investments** in an institutional portfolio

### Onsite Visits

- Aetos seeks to facilitate a **collaborative relationship** based on regular dialogue with FCERA staff and board
- Senior Aetos investment professionals will be available for **monthly in person meetings** to discuss portfolio, individual manager recommendations and macro outlook
- Attend **onsite manager due diligence** meetings with Aetos Staff

**SECTION III**

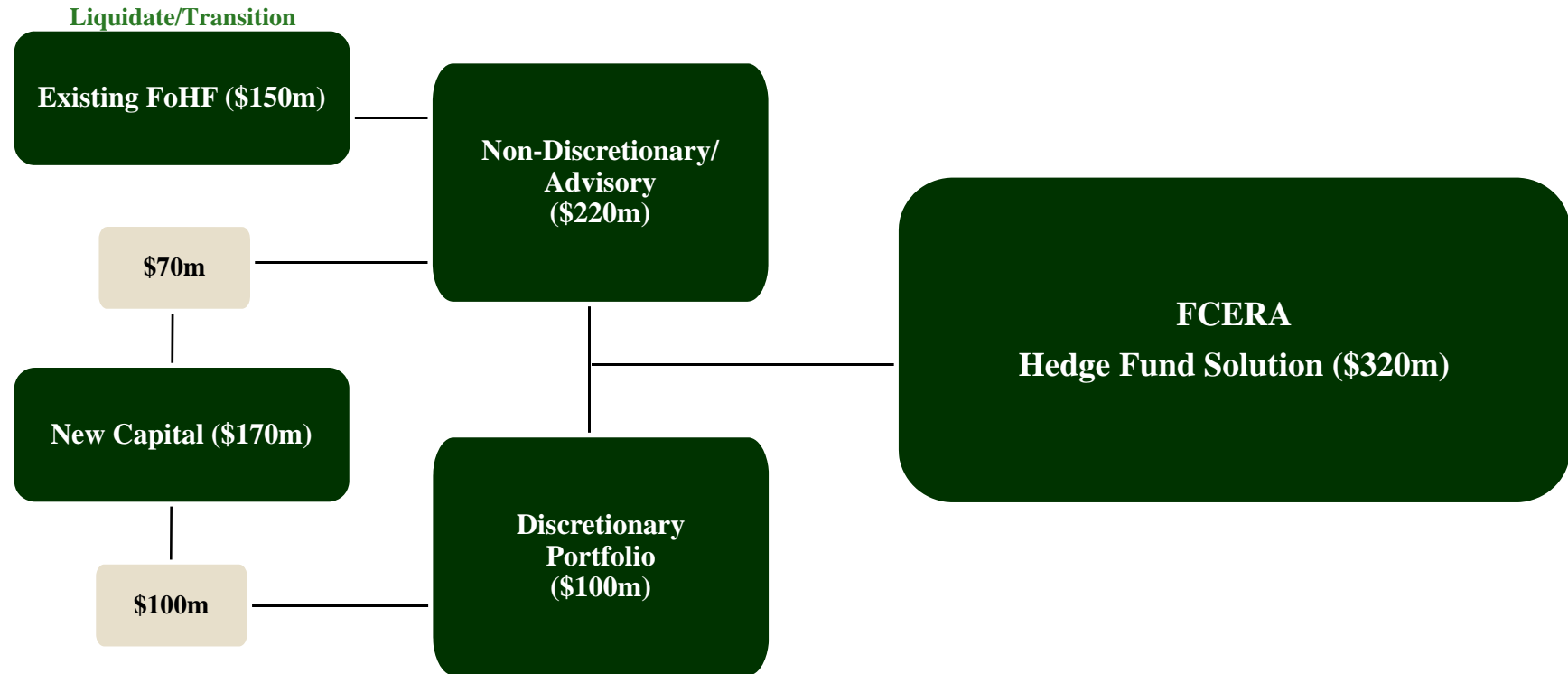
**Proposed Investment Solution and Implementation**

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## PROPOSED INVESTMENT SOLUTION

*Aetos will build and implement a full hedge fund solution comprised of a non-discretionary portfolio of direct hedge fund investments complemented by a discretionary best-ideas portfolio*

<p><b>Seamless Transition/Implementation</b></p>	<p><b>Flexibility for FCERA to Retain Control/Input</b></p>	<p><b>Combines Attributes of FoHF and HF Consultant</b></p>	<p><b>Flexibility to Move to 100% Non-Discretionary Portfolio Over Time, if Desired</b></p>
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## SAMPLE PORTFOLIO: NON-DISCRETIONARY / ADVISORY

*Aetos will advise FCERA on building a diversified portfolio of direct hedge fund investments over which FCERA will have full discretion*

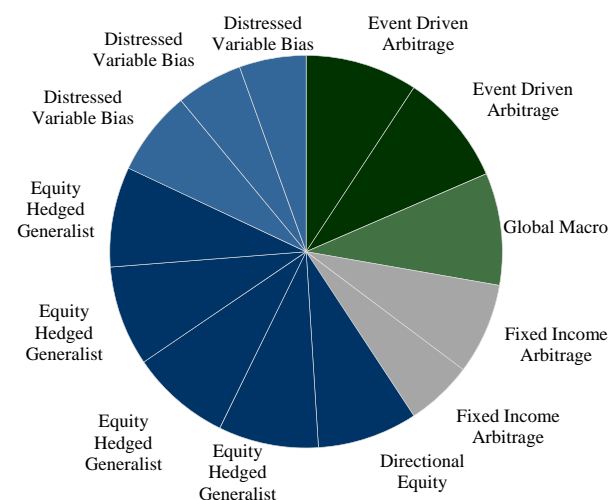
### Overview

- FCERA to create a best-in-class direct hedge fund portfolio:
  - Portfolio construction
  - Manager due diligence (investment, operational and risk)
  - Monitoring, reporting, and back office support, including accounting/legal/administrative
- Portfolio will be diversified across 12-15 hedge funds and up to 8 sub-strategies
- Due diligence Investment Memo on each manager, including detailed discussions with Aetos investment staff
- Portfolio to be benchmarked against the weighted return of 20% Russell 3000 Index and 80% Barclays Aggregate Index

### Aetos Advantage

- ✓ Aetos has provided non-discretionary services since inception in 2001 and currently advises on more than \$5 billion in assets

### Sub-Strategy Breakdown



### Characteristics

Target Return:	6-7%
Target Volatility	6-8%
Expected Annual Turnover	10-15%
# of Managers:	13
# of Sub-Strategies:	6

Note: Sample portfolio is based on current market conditions and may change between the date hereof and the funding date.

## SAMPLE PORTFOLIO: DISCRETIONARY

*Aetos will work with FCERA to create a discretionary portfolio of opportunistic, high conviction managers and more thematic investment ideas*

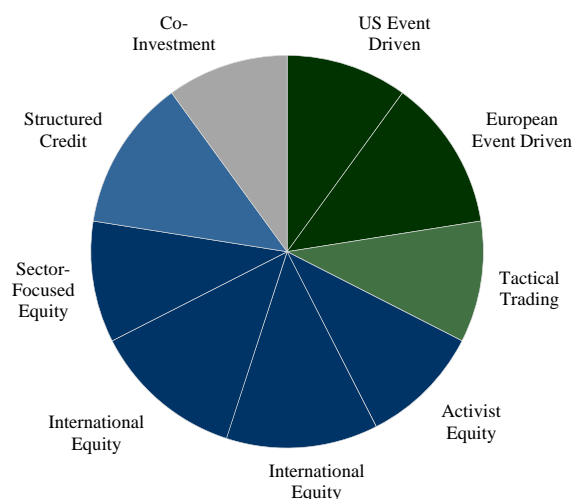
### Portfolio Objectives

- Designed to complement the non-discretionary portfolio by investing in [more] specialized managers and targeted investment opportunities
  - Tactical allocation shifts to capitalize on discrete dislocations
  - Niche managers or strategies
  - Idiosyncratic co-investments
- Leverage Aetos’ network and long-term manager relationships to access limited capacity opportunities, often at negotiated fees
- Maintain flexibility by employing a mix of investment structures that provide exposure to undercapitalized opportunities, while preserving the ability to rotate exposures as necessary
- Employ co-investments to access targeted opportunities at reduced fees
- Portfolio to be benchmarked against the weighted return of 20% Russell 3000 Index and 80% Barclays Aggregate Index

### Aetos Advantage

- ✓ Aetos has a 14-year track record managing discretionary portfolios as a fiduciary, providing superior risk-adjusted returns across multiple business/market cycles

### Sub-Strategy Breakdown



### Characteristics

Target Return:	8-9%
Target Volatility	8-10%
Expected Annual Turnover	15-25%
# of Managers:	9

Note: Sample portfolio is based on current market conditions and may change between the date hereof and the funding date.

**SECTION IV**

**Fee Proposal**

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## PROPOSED FCERA FEES

*Aetos proposes working with FCERA through a broad strategic relationship that will allow maximum flexibility for FCERA to implement its \$320 million hedge fund investment mandate.*

Proposed Fee Schedule	
<b>Structure</b>	Advisory Services + Discretionary Portfolio
<b>Suggested Mandate Size</b>	<ul style="list-style-type: none"> <li>• Advisory: \$220m</li> <li>• Discretionary: \$100m</li> </ul>
<b>Description</b>	<ul style="list-style-type: none"> <li>• Advisory on direct hedge fund investments</li> <li>• Discretionary “best ideas” portfolio               <ul style="list-style-type: none"> <li>• More tactical opportunities</li> <li>• Includes co-investments</li> </ul> </li> </ul>
<b>Fee</b>	Advisory Fee: No charge for advisory <u>Discretionary Fee: 0.50%</u> Blended Fee on \$320m: 0.14% <sup>1</sup>

<sup>1</sup> Subject to a minimum \$500,000 fee.

## FUND-OF-ONE ADMINISTRATIVE FEES

- Aetos would work with FCERA to select and manage the outside service providers (legal, audit, administrator, custodian) should FCERA decide to structure the hedge fund allocation as a “Fund of One”
- These service providers would be retained at competitive fees that reflect Aetos’ larger relationships with such providers as well as FCERA’s existing service provider relationships
- Any specific vehicle charges associated with structuring a special purpose vehicle (“SPV”) would be applied on a pass-through basis without additional benefit to Aetos

<b>Estimated vehicle costs are as follows:</b>	
<b>Legal</b>	Upfront legal fees to set-up a vehicle are a flat fee, typically around \$10,000. Ongoing legal fees are approximately \$2,500 annually.
<b>Audit</b>	Audits typically cost around \$40,000
<b>Administrator/Custodian</b>	Administrator/custodial fees are asset-based fees negotiated by the client with Aetos’ assistance. This fee has been less than 10 bps and is typically less than 7 bps for accounts of approximately \$300 million

## CONCLUSION: WHY AETOS?

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*Whether for non-discretionary or discretionary services, Aetos will be a trusted partner in building a hedge fund program designed and implemented to meet FCERA's unique goals and objectives*

- ✓ **Aetos as Trusted Advisor:** Independent advice, transparency, corporate citizenship, alignment of interests, and integrity form the foundation of a relationship with Aetos
  
- ✓ **FCERA as Meaningful Client:** FCERA will be a very significant client and will have access to the full resources and capabilities of the firm in implementing this important mandate, including monthly attendance in Fresno of our senior investment professionals
  
- ✓ **Close Proximity to FCERA:** Anne Casscells, Co-President and CIO, and the firm's investment staff, are based in Menlo Park, ensuring FCERA has full access to the firm's most senior investment professionals and close collaboration throughout the relationship
  
- ✓ **Expertise with Similar Mandates:** Aetos has deep experience implementing mandates similar in size and scope to FCERA's proposed transition from commingled fund of hedge fund exposure to a direct hedge fund program
  - 15 years of experience creating bespoke hedge fund solutions for large institutions as a non-discretionary advisor as well as a FoHF manager

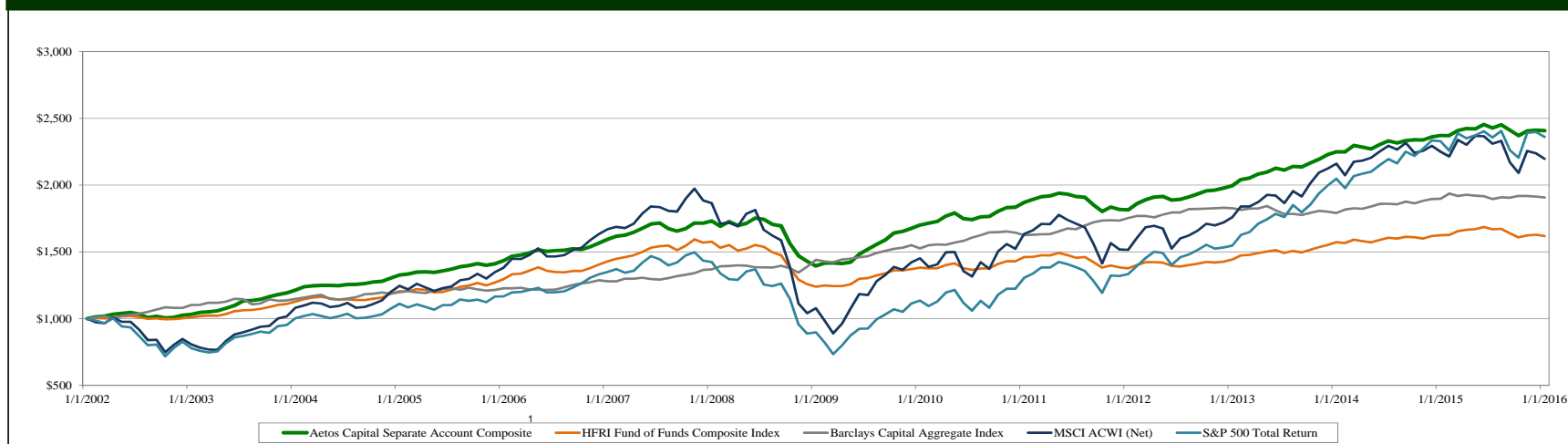
**APPENDIX A**

**Aetos Capital Separate Account Composite**

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# AETOS CAPITAL SEPARATE ACCOUNT COMPOSITE

Aetos Capital Separate Account Composite Cumulative Returns<sup>1</sup>



Net Investment Returns: From Inception (1/1/02) through 12/31/15:	Aetos Capital Separate Account Composite <sup>2</sup>	90-Day Treasury Bills	Barclays Capital Aggregate Index	MSCI ACWI (Net)	S&P 500 Total Return
<b>Average Annualized Return</b>	6.48%	1.28%	4.72%	5.78%	6.33%
<b>Annualized Standard Deviation</b>	5.15%	0.46%	3.47%	15.97%	14.62%
<b>Sharpe Ratio</b>	1.01	-	0.99	0.28	0.35
<b>Largest Calendar Qtr. Drawdown</b>	-10.83%	-	-2.44%	-22.37%	-21.94%
<b>Beta: Barclays Capital Aggregate Index</b>	-0.04	-	-	-	-
<b>Beta: MSCI ACWI (Net)</b>	0.24	-	-	-	-
<b>Beta: S&amp;P 500 Total Return</b>	0.23	-	-	-	-

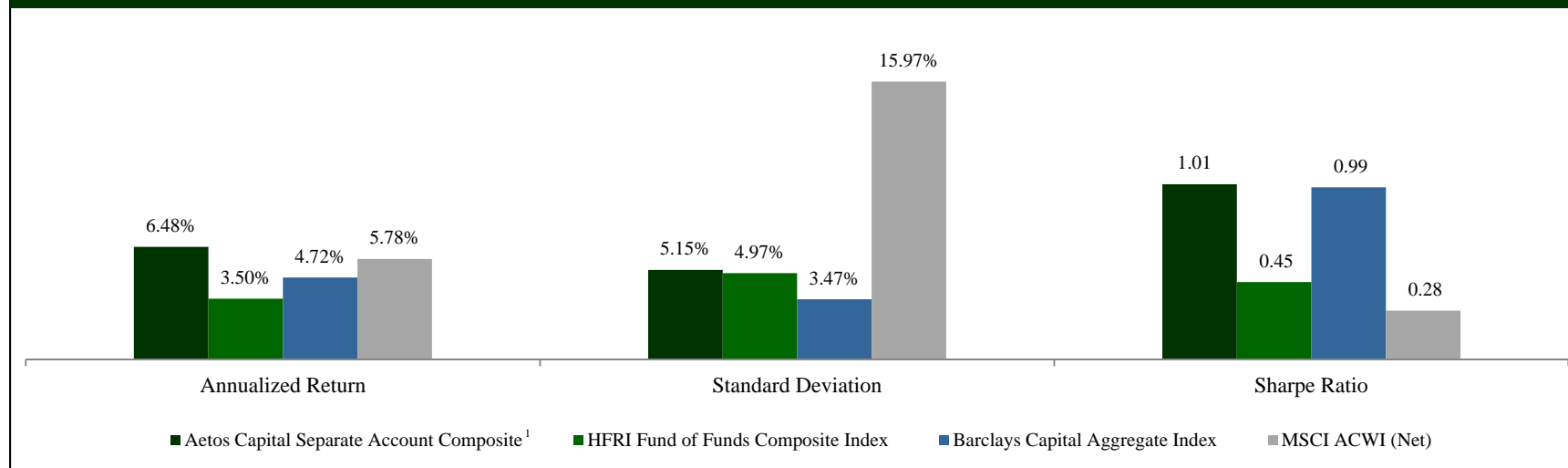
<sup>1</sup>The performance information presented is a dollar-weighted composite of all separate accounts managed by Aetos that invest in a diversified portfolio of hedge funds. It does not reflect the actual returns achieved by any investor. At any point in time, the separate account mandates included in the composite range from a low of one to a high of seven separate accounts. Separate accounts that are not diversified and/or have a strategy specific mandate are not included in the composite. The performance figures shown are net of an investment advisory fee of 0.85% of assets annually. Please note that the December 2015 return is preliminary, unaudited, has been estimated using the best available price sources, and is subject to change. Past performance is not predictive of future performance.

# AETOS CAPITAL SEPARATE ACCOUNT COMPOSITE

Since Inception (January 1, 2002) through December 31, 2015 (net of fees in US\$ terms)

Returns	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Since Inception
<b>Aetos Capital Separate Account Composite<sup>1</sup></b>	3.25%	17.53%	9.24%	8.24%	11.10%	8.54%	-19.42%	22.00%	9.92%	-2.98%	10.01%	12.74%	5.42%	1.51%	<b>6.48%</b>
<b>HFRI Fund of Funds Composite Index</b>	1.02%	11.61%	6.86%	7.49%	10.39%	10.25%	-21.37%	11.47%	5.70%	-5.72%	4.79%	8.96%	3.37%	-0.36%	<b>3.50%</b>
<b>Barclays Capital Aggregate Index</b>	10.25%	4.10%	4.34%	2.43%	4.33%	6.97%	5.24%	5.93%	6.54%	7.84%	4.22%	-2.02%	5.97%	0.55%	<b>4.72%</b>
<b>MSCI ACWI (Net)</b>	-19.32%	33.99%	15.23%	10.84%	20.95%	11.66%	-42.20%	34.63%	12.67%	-7.35%	16.13%	22.80%	4.16%	-2.36%	<b>5.78%</b>

## Aetos Capital Separate Account Composite<sup>1</sup>: Risk and Returns Summary



<sup>1</sup>The performance information presented is a dollar-weighted composite of all separate accounts managed by Aetos that invest in a diversified portfolio of hedge funds. It does not reflect the actual returns achieved by any investor. At any point in time, the separate account mandates included in the composite range from a low of one to a high of seven separate accounts. Separate accounts that are not diversified and/or have a strategy specific mandate are not included in the composite. The performance figures shown are net of an investment advisory fee of 0.85% of assets annually. Please note that the December 2015 return is preliminary, unaudited, has been estimated using the best available price sources, and is subject to change. Past performance is not predictive of future performance.

**APPENDIX B**

**Case for Hedge Fund Investing**

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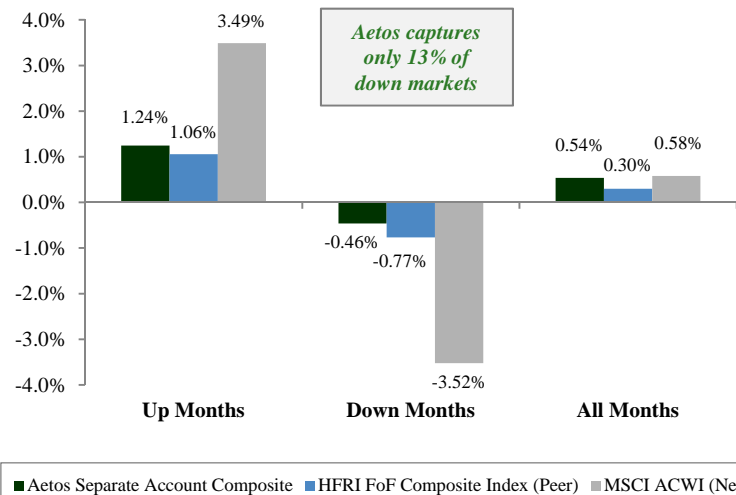
# ROLE OF HEDGE FUNDS IN AN INSTITUTIONAL PORTFOLIO

*Like other active strategies, skilled manager selection and monitoring is critical to ensure that objectives are met*

## Hedge Fund Objectives

- Diversification and Additional Alpha Sources
  - Provide access to additional sources of alpha beyond those offered by traditional strategies, thereby improving the characteristics of the overall portfolio without adding proportional volatility
  - Provide portfolio benefits via low correlations to long-only stock and bond allocations
- Attractive Risk-Adjusted Returns
  - Seek pattern of performance between equities and bonds with volatility closer to bonds
  - Benefit from a larger range of alpha-generating opportunities given fewer constraints than traditional strategies

## Aetos Capital Separate Account Composite Monthly Average Performance Since Inception (January 2002)



	Aetos Separate Account Composite			HFRI Fund of Funds Composite Index (Peer)			MSCI ACWI (Net)		
	Returns	StDev	Sharpe	Returns	StDev	Sharpe	Returns	StDev	Sharpe
<b>1 year</b>	1.51%	4.05%	0.36	-0.36%	3.92%	-0.11	-2.36%	13.86%	-0.17
<b>3 year</b>	6.46%	3.49%	1.83	3.92%	3.48%	1.11	7.69%	10.94%	0.70
<b>5 year</b>	5.19%	3.98%	1.29	2.08%	3.82%	0.53	6.09%	13.06%	0.46
<b>10 year</b>	5.31%	5.71%	0.74	2.26%	5.48%	0.21	4.75%	16.86%	0.22
<b>Since Inception (1/02)</b>	6.48%	5.15%	1.01	3.50%	4.97%	0.45	5.78%	15.97%	0.28

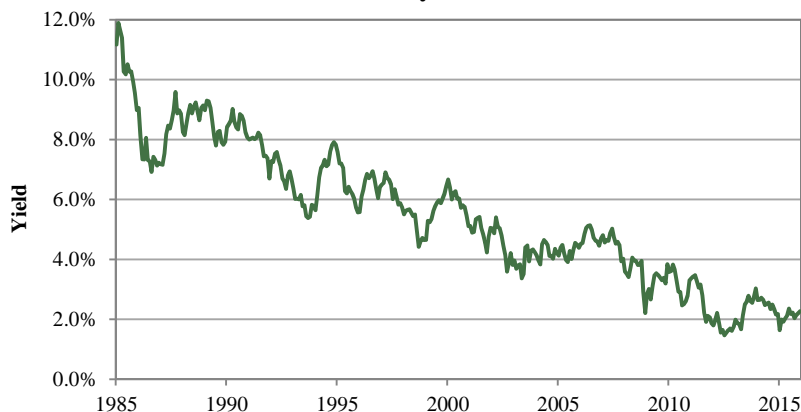
Note: Data as of December 31, 2015. "Up Months" represent monthly performance of the MSCI ACWI (Net) index that were positive. "Down Months" represent monthly performance of the MSCI ACWI (Net) index that were negative. The performance information presented for the Aetos Capital Separate Account Composite is a dollar-weighted composite of all separate accounts managed by Aetos that invest in a diversified portfolio of hedge funds. It does not reflect the actual returns achieved by any investor. At any point in time, the separate account mandates included in the composite range from a low of one to a high of seven separate accounts. Separate accounts that are not diversified and/or have a strategy specific mandate are not included in the composite. The performance figures shown are net of an investment advisory fee of 0.85% of assets annually. Please note that the December 2015 return is preliminary, unaudited, has been estimated using the best available price sources, and is subject to change. Past performance is not predictive of future performance.



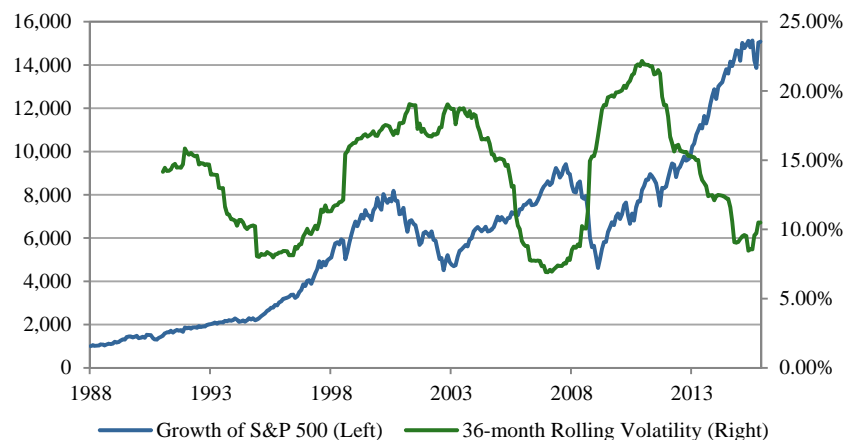
## WHY HEDGE FUNDS NOW?

*As the investment paradigm shifts to lower returns from beta and greater volatility across global equity markets, adding less correlated assets to an overall investment portfolio can increase risk-adjusted returns*

US Treasury 10-Year Yield



Growth of S&P 500 Total Return Index and 36-month Rolling Volatility since January 1988

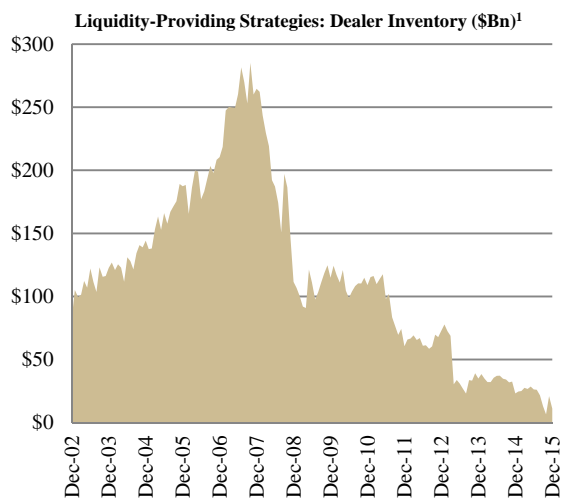


- ❑ The exceptionally low yield environment and potential for rates to drift up over time may limit returns in traditional fixed income
- ✓ Hedge funds have fewer constraints than traditional fixed income managers
- ✓ Benefit from a broader range of investment opportunities
- ✓ Flexibility to invest long and short, across sectors and sub-strategies without constraint of a benchmark
- ✓ Lower duration (interest rate) risk

- ❑ Equity beta is not priced to deliver attractive returns and the return of volatility may result in a poor Sharpe ratio going forward
- ✓ Investors can mitigate risk by moving portion of long-only equity to more hedged strategies
- ✓ Lower net exposures to market can add downside protection
- ✓ Less correlated assets can broaden set of opportunities
- ✓ A stock pickers environment, enabling skilled managers to potentially benefit from long *and* short ideas

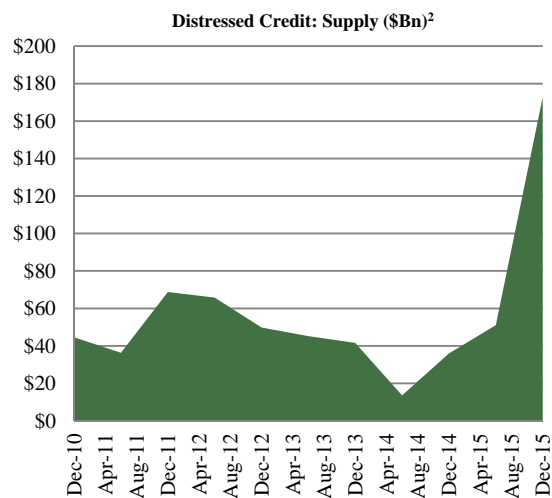
# WHY HEDGE FUNDS NOW? – CURRENT OPPORTUNITIES

## Arbitrage Strategies



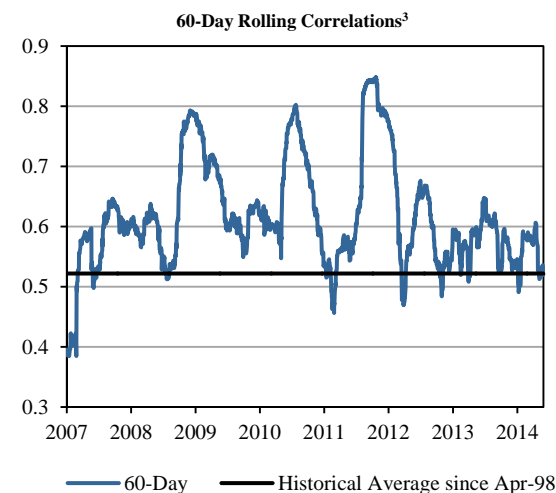
- Bank trading desks have been forced to significantly reduce their activities over the past few years
- Recent spikes in market volatility, coupled with less competition from these trading desks, have created a greater range of opportunities for hedge funds that employ liquidity-providing strategies (fixed income arbitrage, merger arbitrage, distressed credit)

## Distressed Credit Strategies



- The supply of distressed corporate credit has recently ballooned to ~\$170 billion
- Concerns about slowing global growth and plummeting commodity prices have put significant pressure on over-levered corporate issuers
- This provides a host of opportunities for distressed credit managers across a broad-based set of companies, as many of these issuers will be forced to undertake some form of restructuring over the next 12 -18 months

## Long/Short Equity Strategies



- The current pickup in volatility in the context of low stock correlations creates ample opportunities to find new investments that may generate a high level of long-short spread
- The dramatic decline in crude oil and impact on energy sector equities has created opportunities in areas like over-levered drillers and offshore services companies
- The environment for shorting has improved and shorting opportunities appear plentiful

<sup>1</sup> Source: Federal Reserve Bank of New York

<sup>2</sup> Source: JP Morgan; figures reflect par value of high yield bonds that are trading at or below 50% of par value and leveraged loans that are trading at or below 80% of par value.

<sup>3</sup> Average correlations of S&P 500 members compared to the S&P 500 price index.

APPENDIX C

Custom Reports

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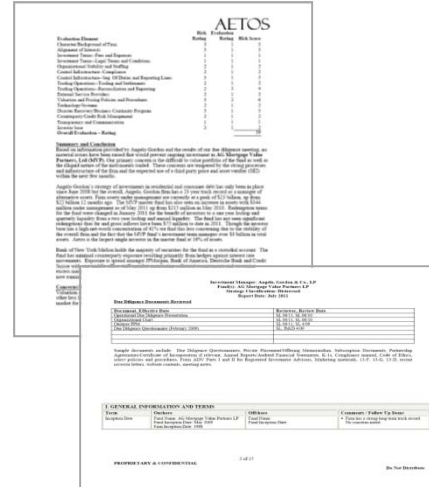
# MANAGER RESEARCH REPORTS

## Investment Memorandum



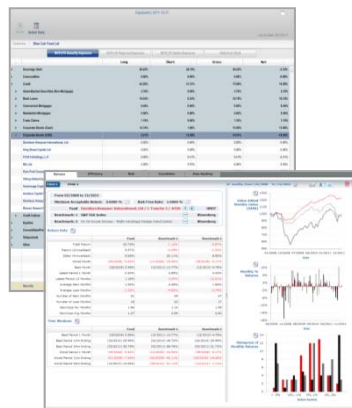
- Management Risk Assessment
- Organizational Stability
- Investment Discipline
- Strategy and Investment Risk
- Investment Risk Matrix

## Operational Due Diligence



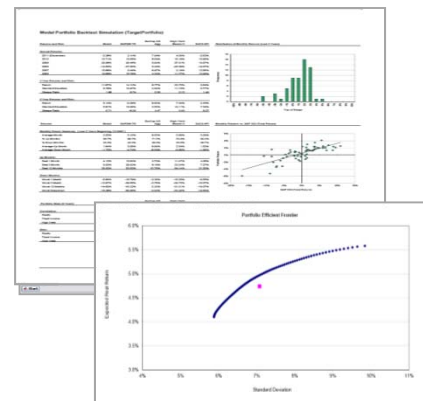
- Operational Due Diligence Report
- Operational Risk Assessment and Scorecard
- Manager Peer Operational Risk Comparison
- Manager Legal Document Review

## Quantitative Analysis – Manager-Level



- Time Series Returns Analysis
- Risk Adjusted Return Analysis
- Volatility Analysis
- Peer & Benchmark Return
- Security, Geographic and Sector Exposure Analyses
- Multi-factor risk reporting

## Quantitative Analysis – Portfolio-Level



- Scenario Analyses & Stress Test
- Correlation Analysis
- Risk, Return, Correlations & Co-Variance Matrices
- Portfolio Optimization
- Liquidity Analysis

# CUSTOMIZED REPORTING

Aetos can fully customize the reports that FCERA requires for both non-discretionary and discretionary portfolios

## Commentary and Analysis

### Quarterly Commentary

**Investor Letter**  
3rd Quarter 2013

**MARKET COMMENTARY**  
The Fed's actions in late 2012 and early 2013 have been a major focus for investors. The Fed's balance sheet expansion and its forward guidance have led to a decline in Treasury yields and a rise in commodity prices. This has led to a re-evaluation of the risk-return profile of various asset classes.

### Economic & Market Report

**CONFIDENTIAL** AETOS CAPITAL

#### Economic and Market Overview

*Several Federal Reserve programs are winding down*

- In early 2009, the Federal Reserve announced that it would buy up to \$300 billion of long-term Treasuries, \$200 billion of Fannie and Freddie debt, and \$1.25 trillion of mortgage-backed securities.
  - Through January 20, 2010, the Fed purchased \$1.14 trillion of agency-backed MBS (91% complete); it purchased 70-75% of all MBS issued by government-backed institutions in 2009.
  - From 2008, the Fed had no holdings of agency debt or mortgage-backed securities; today, the two categories make up greater than half of the Fed's holdings.
- Over the last two years, the Fed's pursuit of a quantitative easing strategy to help to higher balance sheet assets, doubling from less than \$1 trillion to \$2.2 trillion.

**Federal Reserve Balance Sheet Assets**

### Manager Commentary

AETOS CAPITAL

#### Manager Profile – Bridgewater Pure Alpha

**Background**

- Bridgewater was founded in 1975 by Ray Dalio, originally specializing in interest rate and currency risk management for corporations.
- Bridgewater currently has \$151 billion under management.
- Bridgewater's Pure Alpha strategy aims to construct a diversified portfolio using a wide variety of low correlated strategies across fixed income, equity, currency and commodity markets. The team employs a systematic approach that it has honed over time and focuses on relative value between asset classes and strategies.

**5-Year Annualized Returns<sup>1</sup>**

**Performance<sup>1</sup>**

**36-Month Rolling Statistics vs. MSCI ACWI**

## Portfolio and Performance Updates

### Monthly Performance Report

AETOS CAPITAL

#### M&E Energy Company - Pension

October 1, 2011  
5447 \$13,497

**Investment Allocation**

**Strategy Allocation**

**M&E Energy Company - Portfolio Performance<sup>1</sup>**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-1.0%	-1.5%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-12.0%
2009	1.4%	1.1%	1.7%	1.7%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	12.0%
2010	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	12.0%
2011	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	12.0%

**List of Underlying Investments**

Underlying Investment	Asset Class	Allocation	YTD 2011
BlackRock Capital Group	Equity	10.0%	10.0%
BlackRock Global Macro	Equity	10.0%	10.0%
BlackRock Long Short	Equity	10.0%	10.0%
BlackRock Fixed Income	Fixed Income	10.0%	10.0%
BlackRock Cash	Cash	10.0%	10.0%

### Quarterly Report

AETOS CAPITAL

#### M&E Energy Company - Pension

Asset Class	Allocation	YTD 2011	YTD 2010	YTD 2009	YTD 2008	YTD 2007	YTD 2006	YTD 2005	YTD 2004	YTD 2003	YTD 2002	YTD 2001	YTD 2000	YTD 1999	YTD 1998	YTD 1997	YTD 1996	YTD 1995	YTD 1994	YTD 1993	YTD 1992	YTD 1991	YTD 1990
Equity	31.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Fixed Income	23.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Cash	23.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Hedge Fund	23.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

### Liquidity Analysis

AETOS CAPITAL

#### Pension Portfolio Liquidity (continued)

**Portfolio Statistics<sup>1</sup>**

Portfolio Period	End Investment
10/1/2011	\$13,497,000
9/30/2010	\$13,497,000
8/31/2009	\$13,497,000
7/31/2008	\$13,497,000

**Portfolio Return Statistics (Not Seasoned)**

**Portfolio Return Statistics (Of all)**

**DTE Portfolio Liquidity Horizon<sup>2</sup>**

**APPENDIX D**

**Biographies**

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## BIOGRAPHIES

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### **Anne Casscells, Co-President and Chief Investment Officer**

Ms. Casscells is a Managing Director, Co-President and the Chief Investment Officer of Aetos Capital. Prior to joining Aetos Capital in 2001, Ms. Casscells was Chief Investment Officer of the Stanford Management Company, where she was responsible for the investment of over \$10 billion in endowment funds and other assets on behalf of Stanford University. Prior to assuming her position as CIO in 1998, Ms. Casscells served as Managing Director of Investment Policy Research, where she was responsible for asset allocation and for the endowment's absolute return investments. Prior to joining the Stanford Management Company, Ms. Casscells was a Vice President in Goldman Sachs' Fixed Income Division and an analyst at Morgan Stanley & Company. Ms. Casscells earned a Masters of Business Administration from the Stanford Graduate School of Business, where she was an Arjay Miller Scholar, and a Bachelor of Arts in British Studies, cum laude, from Yale University. Ms. Casscells is a member of the Board of Directors of Schwab Charitable, the head of the Investment Committee of KQED, Inc., and Trustee and Treasurer of Grace Cathedral. She is the coauthor with Robert Arnott of "Demographics and Capital Markets Returns," Financial Analysts Journal, AIMR, Vol. 59, No. 2, March/April 2003. She also co-authored with Clifford S. Asness an unpublished monograph titled "Comparing Apples-to-Apples the Stock Market is Expensive," April 2004.

### **Michael F. Klein, Co-President and Chief Risk Officer**

Mr. Klein is a Managing Director, Co-President and the Chief Risk Officer of Aetos Capital. Prior to joining Aetos Capital in 2000, Mr. Klein was a Managing Director of Morgan Stanley & Co. and was President and a Director of the Morgan Stanley Institutional Open and Closed-End Funds. Mr. Klein joined Morgan Stanley in 1995 and was involved in both the firm's institutional asset management and retail funds businesses. Prior to joining Morgan Stanley, he practiced law at the international law firm of Rogers & Wells in New York. Mr. Klein is a magna cum laude graduate of Colgate University, where he was elected to Phi Beta Kappa, and received a Juris Doctor from Boston College Law School, where he graduated cum laude. Mr. Klein currently serves as an independent trustee of the Morgan Stanley family of mutual funds.

### **Jonathan Bishop, Managing Director, Portfolio Manager/Research Analyst**

Mr. Bishop is a Managing Director and Portfolio Manager/Research Analyst of Aetos Capital's investment team. Prior to joining Aetos Capital in 2004, Mr. Bishop worked at SG Barr Devlin, where he focused on mergers, acquisitions and restructuring advisory assignments in the energy and power sectors. Mr. Bishop's assignments included advising Pacific Gas & Electric Company on its restructuring under Chapter 11 of the U.S. Bankruptcy Code. Mr. Bishop graduated from the University of Virginia, where he received a Bachelor of Science in Commerce with a concentration in Finance from the McIntire School. Mr. Bishop is a CFA Charterholder.

### **James G. Conzelman III, Managing Director, Head of Client Relations and Business Development**

Mr. Conzelman is a Managing Director of Aetos Capital and leads the firm's business development and client relations activities. Prior to joining Aetos Capital in 2015, Mr. Conzelman spent ten years with Solus Alternative Asset Management, a \$6 billion event driven credit manager in New York where he was a Managing Director. In that role, he was responsible for overseeing and growing the firm's relationships with institutional investors globally, including corporate and public plan sponsors, sovereign wealth funds, endowments and foundations and investment consultants. Prior to Solus, Mr. Conzelman was a Managing Director of JP Morgan Asset Management where he held a variety of roles beginning in 1988, including Head of the Consultant Relations Group, East Region Head of Institutional Sales, and Global Head of Sales and Marketing for Robert Fleming Inc.'s US asset management business. Mr. Conzelman began his career in London with the International Fixed Income Group of Schroder Investment Management Limited. Mr. Conzelman received a Bachelor of Arts in Government from Georgetown University.

## BIOGRAPHIES

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### **James T. Gibbons, Managing Director, Senior Portfolio Manager**

Mr. Gibbons is a Managing Director and Senior Portfolio Manager of Aetos Capital. Prior to joining Aetos Capital in 2002, Mr. Gibbons served as a Senior Vice President at Evaluation Associates Capital Markets, where he was responsible for research and due diligence on a large group of relative value and event driven hedge fund managers. Before joining Evaluation Associates, Mr. Gibbons spent ten years with AIG in New York, London and Tokyo. He served as chief investment officer for various AIG insurance entities and Managing Director for AIG Global Investment Corp. His responsibilities included asset allocation as well as the management of fixed income, equity and non-traditional investment teams. Earlier in his career, Mr. Gibbons worked for Unilever in their treasury units in the U.S. and London. Mr. Gibbons received a Bachelor of Science in Finance from Georgetown University.

### **Joseph J. McDonald, Managing Director, Manager of Operational Due Diligence**

Mr. McDonald is a Managing Director and Manager of Operational Due Diligence of Aetos Capital. Prior to joining Aetos Capital in 2006, Mr. McDonald was Director of Risk Management in the Alternative Investment Group at Morgan Stanley. During this time he was responsible for the initial and ongoing operational due diligence of third party alternative investment managers sourced through the firm's Graystone Research advisory platform. He also served as the Risk Manager for the Alternative Investment Group, with oversight responsibilities for the Graystone Research and Morgan Stanley Managed Futures businesses. Prior to 2005, Mr. McDonald was a Vice President in the Credit Risk Management and Advisory Group at Goldman Sachs in New York. In this role he was responsible for assessing and monitoring the firm's counterparty risk to hedge funds and other alternative investment vehicles. Mr. McDonald received a Bachelor of Arts in History from Cornell University and a Masters of Business Administration from Columbia University.

### **Harold J. Schaaff, Managing Director, General Counsel**

Mr. Schaaff is a Managing Director and General Counsel of Aetos Capital. Prior to joining Aetos Capital in 2001, Mr. Schaaff was a Managing Director of Morgan Stanley and the President and a Director of the Morgan Stanley Institutional Open and Closed-End Funds. Prior to 2000, Mr. Schaaff was a Managing Director and General Counsel for Morgan Stanley Investment Management. Mr. Schaaff joined Morgan Stanley in 1989. Prior to 1989, Mr. Schaaff practiced securities law for Sullivan & Cromwell in New York. Mr. Schaaff received a Bachelor of Arts from Brown University and a Juris Doctor from the University of California at Los Angeles, where he was a member of the Order of the Coif and a John M. Olin Law and Economics Scholar.

### **Andrew Walling, Managing Director, Portfolio Manager/Research Analyst**

Mr. Walling is a Managing Director and Portfolio Manager/Research Analyst of Aetos Capital's investment team. Prior to joining Aetos Capital in 2005, Mr. Walling worked in the Investment Banking Division of Lehman Brothers. As a member of the Global Technology Group, Mr. Walling was responsible for providing both corporate finance and M&A expertise as well as deal execution to firm clients in the enterprise software and semiconductor industries. Mr. Walling graduated from Princeton University magna cum laude with a Bachelor of Arts from the Woodrow Wilson School of Public and International Affairs, where he was elected to Phi Beta Kappa. He also earned a Masters of Business Administration from the Stanford Graduate School of Business. Mr. Walling is a CFA Charterholder.

### **Nate Blair, Director, Research Analyst**

Mr. Blair is a Director and Research Analyst of Aetos Capital's investment team. Prior to joining Aetos Capital in 2011, Mr. Blair was an Associate Director – Corporate Development at SVB Financial Group. Before joining SVB, Mr. Blair worked as a case writer for the Stanford Graduate School of Business. Mr. Blair previously spent 7 years at the CapStreet Group, a private equity firm, where he executed and monitored equity investments across a diverse range of industries and stages of development. Mr. Blair also served as the interim CFO at one of CapStreet's portfolio companies for 2 years during this time. Earlier in his career, Mr. Blair was an analyst at PricewaterhouseCoopers Securities. Mr. Blair is a cum laude graduate of Rice University, with a Bachelor of Arts in Political Science and History. He also earned a Masters of Business Administration from the Stanford Graduate School of Business.



## BIOGRAPHIES

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### **Reid Conway, Director, Chief Compliance Officer**

Mr. Conway is a Director and the Chief Compliance Officer of Aetos Capital. Prior to joining Aetos Capital in 2004, Mr. Conway was an Assistant Vice President at Alliance Capital, where he was responsible for mutual fund sales literature compliance with NASD rules and regulations and assisted with issues relating to mutual fund regulation. Prior to joining Alliance Capital, Mr. Conway was an Associate at J.P. Morgan Investment Management, where he provided legal support in connection with new product development and general mutual fund matters. Prior to joining J.P. Morgan Investment Management, Mr. Conway worked at Seward & Kissel LLP as a mutual fund paralegal. Mr. Conway graduated from Stanford University, where he received a Bachelor of Arts in Developmental Psychology and earned a Masters in Business Administration from the New York University Stern School of Business.

### **Filbert Cua, Director, Research Analyst**

Mr. Cua is a Director and Research Analyst of Aetos Capital's investment team. Prior to joining Aetos Capital in 2010, Mr. Cua worked as an analyst for Citigroup Global Markets in Hong Kong, and as an analyst for Perry Capital in both their Hong Kong and New York offices. Mr. Cua graduated from the University of Pennsylvania summa cum laude with a Bachelor of Science in Economics from the Wharton School (concentration in Finance) and a Bachelor of Applied Science in Computer Science from the School of Engineering and Applied Science. He also earned a Masters of Business Administration from the Stanford Graduate School of Business, where he was an Arjay Miller Scholar.

### **Scott D. Sawyer, Director, Chief Financial Officer**

Mr. Sawyer is a Director and the Chief Financial Officer of Aetos Capital. Prior to joining Aetos Capital in 2004, Mr. Sawyer was a Client Portfolio Manager at General Electric Asset Management, where he was responsible for the daily investment and operational oversight of third party accounts investing in various U.S. and international equity strategies. Prior to 2002, Mr. Sawyer was Manager of Fund Operations at General Electric Asset Management, where he was responsible for the budgetary, control and reporting requirements for numerous families of mutual funds. Prior to joining General Electric Asset Management, Mr. Sawyer was an Audit Manager at PricewaterhouseCoopers, LLP. Mr. Sawyer graduated from Bucknell University, where he received a Bachelor of Science in Accounting.

### **Michael Spath, Director, Economic Research**

Mr. Spath is a Director, Economic Research of Aetos Capital's investment team. Prior to joining Aetos Capital in 2007, Mr. Spath developed a quantitative credit-equity trading strategy with Creedon Keller & Partners. Mr. Spath previously had a 13 year career at Goldman Sachs, where he was a Vice President in the Fixed Income Division. From 2000-2002, Mr. Spath was Co-Business Manager of Goldman Sachs' Credit Derivatives Department. Prior to that arrangement, he was a Senior Deal Captain in the Collateralized Debt Obligation Group, a Vice President in Fixed Income Research and an Associate in the Mortgage Department. Mr. Spath has a Bachelor of Arts in Economics and Computer Science from Brown University and is also the author of *Dangerous Delusions: America on the Brink; A Critical Solution to America's Political and Economic Dilemma, 1995*.

### **John Stimpson, Director, Business Development**

Mr. Stimpson is a Director on Aetos Capital's business development and client relations team. Prior to joining Aetos Capital in 2015, Mr. Stimpson spent six years with KKR Prisma, the hedge fund solutions group of Kohlberg Kravis Roberts & Co., where he was responsible for marketing customized portfolios of hedge funds to primarily corporate and public pension plans in the Midwest and West Coast. He has held senior business development roles in the fund of hedge funds industry since 2004. Earlier in his career, he served as an associate in the public finance department of UBS/PaineWebber where he helped advise state and municipal governments on debt financing. Mr. Stimpson began his career in state government, initially as an analyst in the Massachusetts state legislature and then as a senior aide to former Massachusetts Governor William F. Weld. Mr. Stimpson is a cum laude graduate of Villanova University and earned an MBA from Columbia Business School.

## BIOGRAPHIES

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### **A.J. Chen, Vice President, Research Analyst**

Mr. Chen is a Vice President and Research Analyst of Aetos Capital's investment team. Prior to joining Aetos Capital in 2006, Mr. Chen graduated from the University of California, Berkeley, where he received a Bachelor of Arts in Molecular Cell Biology and Chinese Language and Literature. Mr. Chen is a CFA Charterholder.

### **Daniel Fagan, Vice President, Research Analyst**

Mr. Fagan is a Vice President and Research Analyst of Aetos Capital's investment team. Prior to joining Aetos Capital in 2010, Mr. Fagan worked as a corporate finance analyst in the Private Placements group at RBC Capital Markets. Mr. Fagan graduated with Distinction from Stanford University, where he was elected to Phi Beta Kappa and received a Bachelor of Arts in Economics and Philosophy. Mr. Fagan is a CFA Charterholder.

### **Elizabeth A. Leung, Vice President, Business Development**

Ms. Leung is a Vice President and member of Aetos Capital's business development and client relations team. Prior to joining Aetos Capital in 2008, Ms. Leung was an Assistant Vice President at Credit Suisse Asset Management and at David J. Greene and Company, where she was responsible for product marketing and client servicing. Earlier in her career, Ms. Leung was an institutional marketing and sales associate at Lazard Asset Management and AllianceBernstein Institutional Investment Management. Ms. Leung is a cum laude graduate of Wellesley College and earned a Masters of Business Administration from the New York University Stern School of Business.

### **Bridget M. McKenna, Vice President, Business Development**

Ms. McKenna is a Vice President and member of Aetos Capital's business development and client relations team. Prior to joining Aetos Capital in 2010, Ms. McKenna was a Senior Research Analyst at Segal Advisors, where she was responsible for investment manager due diligence. Earlier in her career, Ms. McKenna was a Risk Analyst at Fidelity Investments. Ms. McKenna is a magna cum laude graduate of Providence College with a degree in Quantitative Economics. Ms. McKenna is a CFA Charterholder.

### **Drew M. Poffel, Assistant Vice President, Business Development**

Mr. Poffel is an Assistant Vice President and member of Aetos Capital's business development and client relations team. Prior to joining Aetos Capital in 2010, Mr. Poffel worked in institutional marketing and client service at Legg Mason Capital Management. Mr. Poffel previously worked in Legg Mason, Inc.'s Wealth Management division and began his career in the Real Estate Investment Banking Group at Legg Mason Wood Walker. Mr. Poffel received a Bachelor of Science in Business Administration from the University of Richmond. Mr. Poffel is a CFA Charterholder.

### **Ryan Fuh, Research Associate**

Mr. Fuh is a Research Associate of Aetos Capital's investment team. Prior to joining Aetos Capital in 2011, Mr. Fuh graduated from Princeton University, where he received a Bachelor of Arts in Economics.

### **Anna M. Li, Associate, Business Development**

Ms. Li is an Associate and a member of Aetos Capital's business development and client relations team. Prior to joining Aetos Capital in 2012, Ms. Li graduated from the University of California, Berkeley, where she received a Bachelor of Arts in Economics and a Bachelor of Science in Business Administration.

## BIOGRAPHIES

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### **Valerie Romeo, Associate, Legal and Compliance**

Ms. Romeo is an Associate and a member of Aetos Capital's legal and compliance team. Prior to joining Aetos Capital in 2011, Ms. Romeo owned her own business, and was previously a Regional Retirement Representative at OppenheimerFunds, Inc. Prior to joining OppenheimerFunds, Inc., Ms. Romeo was a Senior Retirement Services Analyst at National Financial Services Corporation/Fidelity Investments. Earlier in her career, Ms. Romeo worked at PaineWebber, Inc., where she served in various operational, compliance and sales support roles. Ms. Romeo graduated from Rutgers University, where she received a Bachelor of Arts in Psychology.

### **Giselle Salcedo-Henriquez, Associate, Business Development**

Ms. Salcedo-Henriquez is an Associate and a member of Aetos Capital's business development and client relations team. Prior to joining Aetos Capital in 2011, Ms. Salcedo-Henriquez worked at AllianceBernstein, where she served as a training program coordinator and performed client support functions. Earlier in her career, Ms. Salcedo-Henriquez worked as a Legal Assistant at Grant, Hermann, Schwartz and Klinger LLP. Ms. Salcedo-Henriquez graduated from Skidmore College, where she received a Bachelor of Arts in Business and Economics.

### **Michael Sheehan, Associate, Operational Due Diligence**

Mr. Sheehan is an Associate and a member of Aetos Capital's investment team. Prior to joining Aetos Capital in 2014, Mr. Sheehan was a Fund Accountant at 6800 Capital, LLC. Earlier in his career, Mr. Sheehan worked as a Hedge Fund Administration Analyst at U.S. Bancorp Fund Services. Mr. Sheehan graduated from Loyola University Maryland, where he received a Bachelor of Business Administration in Finance.

### **Juna Lee, Research Analyst**

Ms. Lee is a Research Analyst of Aetos Capital's investment team. Prior to joining Aetos Capital in 2012, Ms. Lee graduated from Stanford University, where she received a Bachelor of Science in Mechanical Engineering.

### **Nicholas Lee, Research Analyst**

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## IMPORTANT INFORMATION AND DISCLOSURES

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Index returns are obtained through Bloomberg, except that the 90-Day Treasury Bills return is obtained from the Federal Reserve website. Indices are not actively managed, do not reflect any deduction for fees, expenses or taxes, and investors cannot invest directly in an unmanaged index. The volatility, investment holdings and other characteristics of the indices presented may be materially different from the Aetos Capital Portfolios and Funds referenced. The indices shown have not been selected as appropriate benchmarks to compare to the performance of the fund; rather they are provided to allow for comparison of the Aetos Capital Portfolios' and Funds' performance to that of well-known and widely recognized indices.

- 90-Day Treasury Bills: 3-month Treasury bill secondary market rate provided by the Board of Governors of the Federal Reserve System.
- Barclays Capital Aggregate Index: Market capitalization weighted index that covers the USD-denominated, investment-grade (must be Baa3/BBB- or higher using the middle rating of Moody's Investor Service, Inc., Standard & Poor's, and Fitch Inc.), fixed-rate, and taxable areas of the bond market. This is the broadest measure of the taxable U.S. bond market, including most Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, all with maturities of 1 year or more.
- HFRI Fund of Funds Composite Index: Includes fund of funds that invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager.
- MSCI ACWI (Net): Free float-adjusted market capitalization index designed to measure developed and emerging market equity performance. The MSCI ACWI is maintained by Morgan Stanley Capital International and consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes.
- S&P 500 Total Return: Capital-weighted index that includes 500 stocks representing all major industries. Returns are denominated in USD and include dividends. The Index is a proxy of the performance of the broad US economy through changes in aggregate market value.