Hedge Funds

A powerful way to diversify a traditional portfolio

The hedge fund industry attracts some of the most talented professionals in the investment business, allowing them the flexibility to implement sophisticated strategies that can potentially outperform traditional asset classes while mitigating risk.

Quick facts

- Hedge funds may offer the potential for increased investment returns over traditional markets.

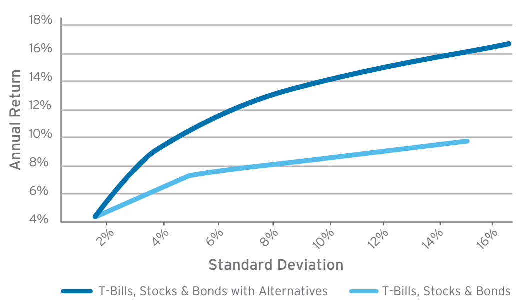
- An allocation to hedge funds may potentially result in reduced portfolio volatility and smoother returns.

- Hedge funds may provide downside protection in declining markets.

Benefits of hedge funds

- Diversification and potentially better risk-adjusted returns. Over the last five to 20 years, an allocation to hedge funds has improved risk-adjusted returns.
- Lower risk than some traditional investments as measured by standard deviation. Over the long term, hedge fund strategies have generally outperformed stocks with half the risk.

Historically, Adding Alternative Investments to Portfolios Has Enhanced Risk-Adjusted Returns



Source: Equity: S&P 500 Index. Bonds: Barclays Capital Aggregate Bond Index. Leveraged Buyouts: Venture Economics (pooled, time-weighted returns). Hedge Funds: HFRI Funds of Funds Index. Real Estate: NCREIF National Property Index. Managed Futures: CISDM Index. Note: The portfolios were calculated with the latest data available as of February 24, 2009. Average Returns and volatilities of Cash, U.S. Bonds, U.S. Large Cap Equities, Managed Futures and Hedge Funds are based on historical returns from January 1990 through December 31, 2008. Average returns and volatilities of Leveraged Buyouts and Real Estate are based on historical returns from January 1990 through September 30, 2008. **Past performance does not guarantee future results. Real results may vary.**

- Strong long-term performance. For the 10 years to March 2009, the major hedge fund indexes showed higher annualized returns than either the S&P 500 or the Barclays Capital Aggregate Bond Index.
- Strong performance in different economic environments. Hedge funds have generally outperformed traditional managers in down markets, and often in up markets as well. This is because hedge funds tend to behave differently from stocks and bonds, with managers targeting positive returns in any market environment.

What strategies do hedge fund managers use?

Strategies vary widely, with most falling into these six categories:

- Global macro/commodity trading advisor (CTA). Emphasizes directional exposure to currencies, interest rates, commodities and equities.
- Relative value. Exploits mispricing of related assets and/or price coverage—typically through options strategies.
- Credit/event-driven. Trades on corporate events such as bankruptcies, mergers and takeovers.
- Equity long-short. An equity trading strategy that enables the manager to go long or short to help meet investment objectives.
- Multistrategy. A blend of hedge fund sectors, aimed at diversification across strategies.
- Hedge fund of funds. A multimanager strategy designed to provide broad asset class exposure while diversifying risk across a portfolio of hedge funds.

Why Citi?

Including hedge funds in a traditional portfolio has the potential to increase returns and decrease standard deviation. (See table below.) HedgeForum, our feeder fund, offers a select range of funds and the convenience of investing in multiple funds with one application. Additional benefits include:

- Manager research. Managers are selected according to exacting standards, and their performance is monitored continuously.
- Privileged access. Investors have access to funds that may be closed to new investments, or whose minimum investment levels would otherwise be too high for individuals.
- Ongoing support. You're kept informed with periodic fund commentaries and newsletters.

Risks and considerations

- Hedge funds face the same risks as traditional investments and investment funds.
- Hedge funds' use of leverage can magnify losses as well as returns.
- Transparency may be limited.
- Investors can generally withdraw funds only at specified intervals.

Fees and taxes

- Manager compensation is based on the performance of the fund.
- Administration, placement and redemption fees may apply and vary from fund to fund. Refer to fund documents for specific details.
- Owning hedge funds may have tax implications. For guidance, talk to your tax advisor.

INCLUDING HEDGE FUNDS IN A TRADITIONAL PORTFOLIO

Standard Deviation and Returns	5 Years		10 Years		20 Years	
As of 03/31/11	Return	Std Dev	Return	Std Dev	Return	Std Dev
60/40 Portfolio*	4.37%	11.04%	4.55%	9.58%	8.23%	9.27%
50/30/20 Portfolio**	4.45%	10.40%	5.05%	9.01%	9.02%	8.74%

Source: TPG Alternative Solutions. Past performance is not a guarantee of future results. Real results may vary. Expected returns are estimated performance returns. Actual, best and worst-case returns cannot be guaranteed. Historical price performance may be presented in a currency other than the currency of the country in which you reside. *60/40 Portfolio consists of 60% equity investments (S&P 500 Index) and 40% fixed income investments (Barclays Aggregate Bond Index). **50/30/20 Portfolio consists of 50% equity investments (S&P 500 Index), 30% fixed income investments (Barclays Aggregate Bond Index) and 20% alternative investments (HFRI Weighted Composite Index).

To get started

To learn more, speak to a Citi advisor.

Past performance is not a guarantee of future results. Diversification does not protect against loss or guarantee a profit.

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As further described in the offering documents, investments in alternative investments can be highly illiquid, are speculative and not suitable for all investors. Investing in alternative investments is for experienced and sophisticated investors who are willing to bear the high economic risks associated with such an investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include:

- loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative practices;
- lack of liquidity in that there may be no secondary market for the fund and none is expected to develop;
- volatility of returns;
- restrictions on transferring interests in the Fund;
- potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;
- absence of information regarding valuations and pricing;
- complex tax structures and delays in tax reporting;
- less regulation and higher fees than mutual funds; and
- manager risk.

Individual funds will have specific risks related to their investment programs that will vary from fund to fund.

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An investment cannot be made directly in a market index.

The Barclays Capital U.S. Aggregate Index covers the U.S. dollar-denominated, investment-grade, fixed-rate, taxable bond market segment of SEC-registered securities. The index includes bonds from the U.S. Treasury, Government-Related, Corporate, Mortgage-Backed, Asset-Backed and Commercial Mortgage-Backed Securities sectors.

S&P 500 Index is an unmanaged, market-value-weighted index of 500 stocks generally representative of the broad stock market.

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