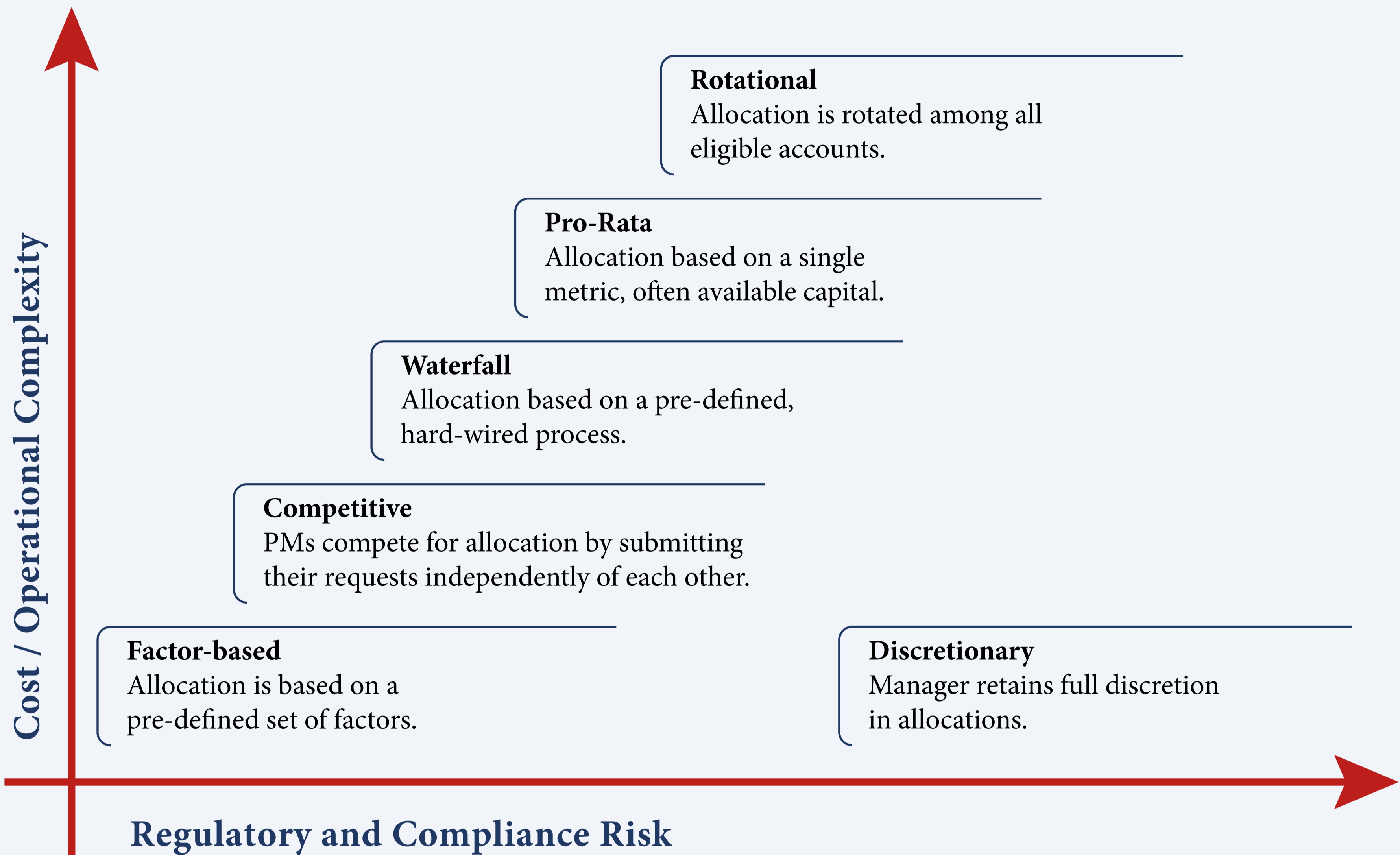


Investment Allocation Methodologies



Methodology	Potential Risk	Potential Benefit
Factor	Involves judgement and therefore requires documentation and testing to ensure proper execution.	Offers flexibility with significantly attenuated risk. Best methodology for rapidly changing businesses.
Competitive	Requires scale and a carefully crafted organizational structure to ensure PMs are independent.	Involves minimal documentation and provides PMs with flexibility.
Waterfall	Manager is “locked in” to the disclosed methodology making it difficult to change as new accounts are added.	Investors may feel more comfort with a process that involves little discretion.
Pro-Rata	Difficult to execute in a complex environment with a diverse investor base.	Most straight forward and easy to understand methodology for investors. May be appropriate for smaller managers.
Rotational	Difficult to execute given account exclusions and other complexities.	May be only option for hard to split assets. Popular as a secondary or tertiary methodology.
Discretionary	Exposes manager to fiduciary duty claims. May require significant documentation to provide support.	Offers maximum flexibility.