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CAMBRIDGE

ALTERNATIVE
INVESTMENTS LLC

OVERVIEW



Cambridge Alternative Investments is a private equity portfolio advisor and a fund of funds investment manager.

We develop and implement sound investment policies, bring in model driven quantitative approaches to asset allocation, identify potential top-tier managers, deploy fund capital and dynamically control reinvestment risk.

Cambridge Alternative Investments is a fresh thinking firm. We have an Active Portfolio Management approach and invest with Active Managers.

We believe that a fact-based approach to investment allocation decisions is much remiss in the private equity industry. We believe that Alternative Investments constitute both a skill class and an asset class.

We also believe in the random walk to investment returns. Whilst recognizing comfort in past performance we do not place all our faith in it. Experience, in itself, is not good enough for us. We do not drive all the way home by looking at the rear view mirror.

Neither, we hope, would you.

“WE BRING ELEMENTS OF PUBLIC MARKETS INVESTING DISCIPLINE TO THE ALTERNATIVE INVESTMENTS SPACE. WE ARE THE RATIONAL ALTERNATIVE.”

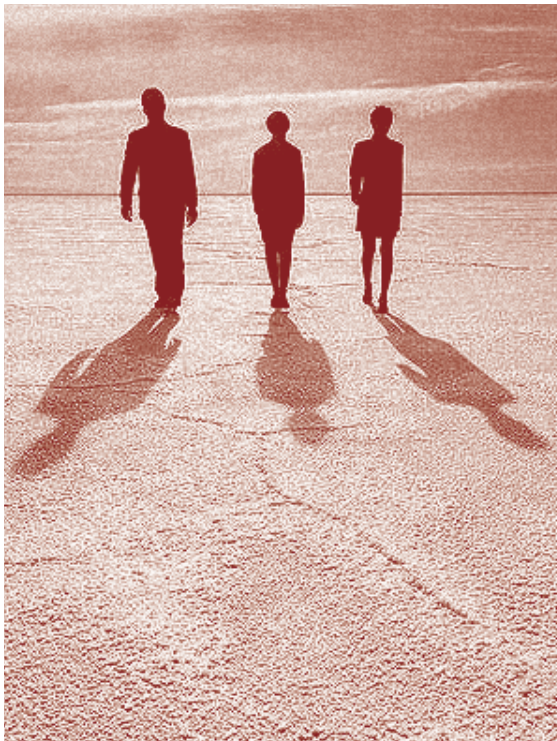
We work with leading LPs, institutional investors, public and corporate pension plans, foreign & domestic private equity investors as well as with university endowments. We have relationships with both emerging GPs as well as established buyout and venture capital firms.

We operate as a global team with a centralized single Investment Committee sharing common processes, consistent methodologies, quantitative tools and investment strategy.

OUR DIFFERENTIATORS:

- Fact based quantitative approach to alternative asset allocation
- Dynamic risk management
- Active Portfolio Management
- Performance based compensation
- Access to top tier, existing and emerging, GPs
- Access to proprietary deals
- Agnostic to investment stage, style, industry, geography, vintage year
- Alternative Investment program life cycle support.

OUR TEAM



Our strategy for achieving risk adjusted returns growth allows us to constrain our focus to being a premium General Partner - managing aggregated funds no greater than \$ 500 million across private equity partnerships and direct investments over the next 3 years.

We recruit top-notch talent with a wide range of work experiences, academic backgrounds, creative thinking acumen, skills and capabilities.

We celebrate diversity in background and recognize the benefit of a team with broad asset class experience as well as a deep understanding of private equity, hedge funds and financial engineering.

We intend to remain an independent investment advisory firm and evolve to a Fund of Funds with significant employee ownership as we grow in the years ahead.

As we achieve our potential we will access recognized leaders in building an advisory board of scholars, investment bankers, attorneys and private equity practitioners.

YOUR CHALLENGE



YOUR CHALLENGE

- Lack of transparency in investing
- Absence of analytic tools for private equity
- Stale prices and subjective asset valuation
- Constrained access to excellent fund managers

You invest in Alternative Investments to achieve portfolio diversification and achieve rates of risk-adjusted return above those that accrue from public equities.

Your challenges are compounded when it comes to investing across a broad range of strategies, asset types, managers, styles and instruments.

YOURS IS A DIFFICULT TASK

“HOW SHOULD YOU, AS AN INSTITUTIONAL INVESTOR, WITH INFINITE FIDUCIARY RESPONSIBILITIES AND FINITE RESOURCES DESIGN AND IMPLEMENT ALTERNATIVE INVESTMENT PROGRAMS?”

Often you turn to gatekeepers to complement your in-house strengths. In doing so you face new questions.

What distinguishes one investment advisor or a Fund of Funds from another when all of them promise to assist with achieving “ absolute returns over the long run” despite changing credit and market risk conditions? Is a General Partner’s historical record of accomplishment, given evidence of fallibility in persistence of returns, an adequate basis to commit?

CHOICES CHOICES CHOICES

It becomes even more difficult for you when confronted with a myriad of choices.

Would you rather invest in? :

“Growth investments in promising companies seeking capital to fund further growth through acquisition or expansion”

Or

“Management buyouts/ leveraged build-ups with experienced managers to purchase the companies they operate”

Or

“Minority investments in existing business “

Or

“Portfolios of real estate assets or non-performing loans”

Or

“Recapitalizations and restructuring of attractive businesses, partnerships and industries in transition, special situations that arise because of market dislocations, regulatory changes, or investor disfavor with a specific industry ”

Or

“Loan syndications, credit restructurings, mezzanine lending or subordinated lending”

CUT THROUGH COMPLEXITY

It is time to see investment industry jargon in simple terms. In terms of style and simple asset characteristics. Asset characteristics that matter - expected return, portfolio policy conformance, risk budgeting and steeped in the contemporary.

Talk to us at Cambridge Alternative Investments.

“WE CUT THROUGH JARGON AND OFFER PROGRAMS THAT ARE FLEXIBLE AND CREATIVE”

We use our skills and proprietary analytical techniques to work with you to research the Alternative Investment space. In doing so, we bring an active approach to portfolio management. We provide access to potential high performing managers, dynamically control risk and incorporate objectivity in portfolio development.

At Cambridge Alternative Investments, we align our incentives with yours to act with the highest level of personal and professional integrity throughout the Alternative Investment program life cycle.

“WE HELP YOU EXERCISE YOUR FIDUCIARY RESPONSIBILITIES BETTER” .



SERVICES

We assist sophisticated investors with designing and implementing institutional quality private equity investment programs. We provide:

- Asset Management Services
- Strategic Advisory Services
- Models
- Active Portfolio Management
- Investment Process Rationalization Services
- Fund of Funds

ASSET MANAGEMENT SERVICES

Our Asset Management Services repertoire extends to investment program monitoring, ongoing performance measurement, benchmarking, dynamic risk management, hedging and complex securities appraisal.

“WE TAKE A QUANTITATIVE ANALYTICAL APPROACH TO PROGRAM & PORTFOLIO OPTIMIZATION”.

We assist in refining and augmenting your portfolio by rebalancing your investments, deploying reinvestment capital and stock distributions, identifying interests in primary and secondary partnerships, direct/co-investments and investing in Fund of Funds.



Our programs cover most of the popular sub-asset classes including corporate finance/buyout, venture capital, mezzanine, distressed debt, Islamic funds and industry-focused funds across all major geographic regions including Americas, Europe, Middle East, South Africa and the Asia Pacific.

In addition to portfolio management we also enhance, where required, your General Partnership monitoring capabilities and actively represent your interests on advisory boards.

- Investment Program Optimization
- Across Sub-asset Classes
- Global Allocation

STRATEGIC ADVISORY SERVICES

“WE COMBINE OUR DERIVATIVES AND PUBLIC MARKETS FINANCIAL ENGINEERING STRENGTHS WITH PRIVATE EQUITY ACTIVE ASSET ALLOCATION AND RISK MANAGEMENT TOOLS”

- Absolute Return Strategies
- Capital Preservation Strategies
- Participative Notes
- Private Equity Securitization
- Complex Securities Reengineering.

SERVICES

- Models for Alternative Asset Allocation
- Models for Investing & Funds Analysis
- Models for Reinvestment Risk
- Models for Performance Measurement



“WE BRING BEST PRACTICES IN RISK MANAGEMENT, RIGOROUS QUANTITATIVE TOOLS AS WELL AS INVESTING DISCIPLINE TO THE PRIVATE EQUITY PACE.”

MODELS

There is a scarcity of good tools to analyze Alternative Investments in general and private equity markets in particular. To support our clients we continue to refine a suite of proprietary analytical tools and models. These include:

MODELS FOR ALTERNATIVE ASSET ALLOCATION

Multi-variable stochastic alternative asset models that help us customize private equity portfolios. We treat this as an approach for devising an overall public-private portfolio strategy for our clients.

MODELS FOR INVESTING AND FUNDS ANALYSIS

Proprietary databases of historical performance and correlation metrics, which serve as input to our stochastic asset allocation models.

MODELS FOR DRAWDOWN, DISTRIBUTION & REINVESTMENT RISK CONTROL

Tools to Monte Carlo simulate commitments, draw-down, distributions, reinvestments and liquidations.

MODELS FOR PERFORMANCE MEASUREMENT AND BENCHMARKING

Tools for performance analysis, time series and cross sectional peer group comparison, estimation methodologies for measurement error, alpha attribution and customized performance analysis.

Given the absence of standards and recognized benchmarks in the Alternative Investments space, fund investors often lack meaningful performance comparison metrics. We work with our clients to arrive at meaningful short and long-term comparison measures using multifactor models.

INVESTMENT PROCESS

The inherent nature of Alternative Investments can often pose a challenge to maintaining targeted levels of exposure.

We work with clients to dynamically manage and maintain targeted exposure throughout the Alternative Investment program lifecycle. This includes simulating projected drawdown, incorporating the effect of both cash and in kind distributions, reinvestments and liquidations.

We work with clients in setting and allocating commitments, design forecasts as well as help frame policy to balance future allocation.



“WE MAINTAIN TARGETED ALLOCATION AND DIVERSIFICATION LEVELS WHILE STAYING ON THE EFFICIENT FRONTIER.”

INVESTMENT PROCESS

- Standardized Assessment
- Asset Allocation
- Manager Selection
- Funds Deployment

- Client Objectives
- Existing Program Assessment
- Model Driven Asset Allocation
- Qualitative Judgment
- Commitment Planning
- Drawdown, Distribution, Reinvestment modeling
- Screening
- Due Diligence
- Personal Meetings
- Recalculation, Strategy Validation
- Reference Checks
- Selection
- Post Selection

We begin our engagements by establishing detailed, standardized assessments of your existing programs. We incorporate your portfolio objectives and preferences, create term plans with identifiable risk and return objectives.

We combine judgment with quantitative asset allocation, incorporate constraint conditions and develop appropriate risk management controls. Our investment processes are well defined, replicable and completely transparent.

We extend our sourcing capabilities to give you best in class asset exposure. We continue to work with you in actively managing your portfolio

INVESTMENT PROCESS

STANDARDIZED ASSESSMENT

We begin by establishing detailed, standardized assessments of your existing programs at the onset of our engagement.

This includes a review of portfolio policy, a rigorous analysis of existing portfolio risk, past relative performance with respect to public or synthetic benchmarks, scrutiny of diversifications achieved and revisit existing correlation assumptions.

ASSET ALLOCATION

We believe that in order to achieve superior risk adjusted returns our clients need to focus on the asset allocation decision as much as on the manager selection or securities selection decision.

Our approach to the asset allocation process is primarily quantitative. We bring a public markets discipline, econometric tools, proprietary databases and statistical models to simulate and predict expected returns across the entire private equity sub-asset class.

Optimal asset allocation has always been a challenge for developing Private Equity portfolios. The primary reason for this is source data bias.

- Stale pricing and valuation bias
- Self reporting bias
- Survival bias
- Instant history bias
- Differences in reporting returns conventions bias
- Limited performance history bias

Cambridge Alternative Investments has taken publicly available returns databases and used filters to scrub this data to create a sanitized version of available information. We use proprietary tools to build customized alternative asset allocation models so that client portfolios are closer to the efficient frontier.

PORTFOLIO FLEXIBILITY

Our approach provides for tremendous flexibility in portfolio design .

- Allocation across a wide variety of private equity classes including primary, secondary, co investments, mezzanine, distressed investments and foreign funds
- Allowing for special conditions such as excluding certain funds or sectors or geographies
- Managing commitments, draw downs, distributions, reinvestments and interim risk
- Altering portfolio risk characteristics and active portfolio management

SYSTEMATIC APPROACH

“WE BRING IN PUBLIC MARKETS INVESTING DISCIPLINE AND FOLLOW A SYSTEMATIC FOR ALLOCATING ASSETS IN MULTI-MANAGER MULTI-STRATEGY PRIVATE EQUITY FUNDS”.

We combine macroeconomic information and business cycle judgment as well as rational assumptions with our proprietary private funds performance models.

We begin with carrying out a macro economic analysis where we analyze, inter alia, country and geographical outlook, sectoral performance and trends, industry attractiveness and broad asset class outlook. These considerations feed into our asset allocation models.

We use proprietary models for arriving at multi-period, multi-dimensional stochastic cash flow forecasting approaches. This helps determine strategic allocation to private equity that conforms with the overall asset allocation strategy.

In positioning customer portfolios at the efficient frontier, we do a historical risk-return asset class profile study from our proprietary dataset, factor in client portfolio objectives, rationalize existing portfolio commitments and make new recommendations.

For instance, we may include secondary investments in the Alternate Asset portfolio mix to mitigate the J curve, reduce blind pool risk, accelerate cash flows, and improve IRR's along with correlation advantages.

We realize that Private Equity investing, despite its illiquidity and long holding period, is far from a static process. We work with our clients to manage targeted exposure levels, assist in future commitment planning as well as advice and control your reinvestment risk, liquidity risk and market risk..

MANAGER SELECTION & FUNDS DEPLOYMENT

We invest across multiple managers, make speedy readjustments, as well as dynamically hedge to enhance risk-adjusted performance.

Our investment strengths lie in our ability to proactively identify and select excellent General Partnership interests on an ongoing basis. We continually strive to deepen our relationships with emerging GPs as well as established buyout and venture capital firms.

“WE TAKE A LEAD ROLE IN MANAGER SELECTION, NEGOTIATING FAIR TERMS AND CONDITIONS PRIOR TO MAKING AN INVESTMENT AND WHERE APPROPRIATE ACT AS AN ACTIVE INVESTOR”

We assist in asset gathering given our understanding of key institutional evaluation criteria. We go beyond providing referrals and connecting GPs and LPs. We engage with GPs to provide advice on fund structuring, competitive strategy, sharpening fund proposition, assist in material preparation, pre-qualify LPs, test market with selected LPs and provide objective feedback.

SYSTEMATIC APPROACH

“WE FOLLOW A SYSTEMATIC PROCESS IN MANAGER SELECTION”.

We consider both quantitative and qualitative factors in our manager selection process. We pay careful heed, for example, in consistent alignment between investing philosophy, process, resources, results of past performance and current portfolio holdings.

Our evaluation also incorporates extraneous factors such as the investing environment, sector /business cycles, past relative performance as well as factors internal to the GP such as prospectus information, management team and fund expenses .

Despite the general industry practice to do so, we do not believe that past performance is necessarily the best predictor of future performance. We see past performance as just another, albeit very important, factor.

Whilst recognizing the importance of a well-earned reputation we carefully see fund manager returns in the context of environment, skills and chance. We rigorously examine performance accrual from both realized and unrealized investments, conformance to stated investment strategy, examine style drift, approaches to achieving investment exit and do a detailed risk return attribution analysis.

We begin by using our proprietary tools to quantitative screen managers on a variety of criteria that meets with our client's portfolio objectives. We evaluate and sometimes recalculate prior investment performance, benchmark relative performance and independently validate investment premise for new managers. Our relationships with fund managers and ongoing PPM solicitation efforts help us broaden the investment universe for our clients.

We then carry out a preliminary due diligence which consists of personal meetings, examine record of accomplishment, appraise a manager's investment philosophy, do reference checks and discuss legal and tax issues.

We carry out detailed due diligence only after our clients are convinced that there is adequate justification to proceed. We build arms length relationships with fund managers and welcome client participation throughout the evaluation process.

Post selection, we continue to monitor client portfolios on an ongoing basis to ensure conformance with guidelines or changes in policy.

FUND OF FUNDS

“WE PROVIDE ACCESS TO PREMIUM FUNDS BY AGGREGATING DISPARATE INVESTOR INTERESTS AND RESOLVING CONCERNS PERTAINING TO MINIMUM COMMITMENT LEVELS, CRITICAL FUND SIZE, DISCLOSURE REQUIREMENTS AND OTHER ISSUES.”

CAMBRIDGE ALTERNATIVE INVESTMENT'S approach is to be global in identifying superior Alternative Investment opportunities. We use our internal resources as well as opportunistically leverage on an affiliate-partnering model. This approach provides for better deal visibility and access.

We are forward-looking in identifying future potential out-performers for we have access to around 3-500 new and follow on funds every year. This serves as a pipeline of prospective General Partnerships for due diligence and subsequent investment.

STRENGTHS

- Access to Top Tier Funds
- Active Portfolio Management
- Investment Discipline
- Flexibility in Investment Allocation

We develop institutional quality private equity investment programs for clients on a separate account or Fund of Funds basis. We provide investors with increased diversification across a number of different strategies, styles and access to talented fund managers.

Cambridge Alternative Investment's approach to optimizing private equity asset allocation includes investing across a broad class of venture funds, buyouts and expansion funds, mezzanine, distressed, special situations, turnarounds and secondary investments. We take exposure to growth capital, financial restructuring or change of control investments as well as accept both minority and control ownership positions.

We follow a diversified investment program and seek both primary and secondary fund investment opportunities globally, in all investment stages.

WE INVEST ACROSS

- Generalist Funds
- Buyout / Later Stage
- Early Stage Venture
- Late Stage Venture
- Subordinated Debt / Mezzanine
- Fund of Funds
- Turnaround / Distressed
- Secondary Investments

We believe that broad diversification across multiple asset classes, improved tactical asset allocation and dynamic risk management allows us to create superior risk adjusted returns for our clients. Our investment strategy is to invest in multiple styles & strategies to create diversified efficient frontier based portfolios.

We systematically allocate capital to multiple managers within each style and each strategy and keep an eye on performance and risk oversight. We are thus able to construct Alternative Investment portfolios that are less correlated with public equities.

We use a proprietary asset allocation model to structuring portfolios where we carefully address the effects of style, sector, geography and vintage year diversification.

FUND OF FUNDS

STYLE

Our dynamic allocation model continually reassigns relative weighting between venture, mezzanine debt, distressed and favorably priced secondary interests to ensure appropriate diversification

SECTOR

We track public and private markets on a continuous time basis, which gives us a sense of relative value between sectors, so that we can assign appropriate weighting to expected industry over performance

GEOGRAPHIC

We balance our style and sector allocation decisions with geographic considerations and track both public and private funds performance in America, Europe and Asia.

VINTAGE YEAR

We do not believe we have market timing skills. Nor do we believe it is necessarily a good approach towards building and maintaining private equity portfolios. Our approach is to purchase secondary interests in existing funds as well as building client portfolios over time.

CONTACT US



If you are raising or are preparing to raise a private equity fund you may submit your fund details to us. Cambridge Alternative Investments welcomes investment proposals and referrals. Potential transactions will receive thorough consideration and a timely response. We recognize the delicate nature of confidential information and handle each situation with discretion.

Proposals and inquires should be directed to our Chicago office.

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We welcome on-line fund submissions at our website:

www.cambridgealt.com

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