Hedge Fund Investment Solutions for Institutional Investors

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SkyBridge Direct provides the benefits of direct investing in hedge funds while mitigating many of its challenges.

Past performance does not guarantee future results. Actual results may vary. This document is for information purposes only and not an offer to sell, or solicitation or offer to purchase, hedge fund interests.

Introduction

Ever since Alfred W. Jones developed what has become known as hedge funds, investors have pursued uncorrelated returns. Hedge funds of the 1980s and 1990s delivered such uncorrelated returns and spawned the industry we know today. This success helped to raise the profile of and drive demand to hedge funds. Only within the last decade have institutional investors broadly made a more concerted effort to include hedge funds in their alternatives portfolio. For much of this time, funds of hedge funds were the preferred and easiest vehicle for many if not most institutional investors to gain exposure to hedge funds. However, the early success of the "endowment model" saw several institutions allocate directly to hedge funds. As hedge funds increasingly gain mainstream acceptance among institutional investors' staffs, executives and Boards, there is an increasing interest and desire to "go direct".

Direct investing provides many benefits to institutional investors, and is a natural evolution in the allocation to hedge funds just as it once was for allocations to private equity. Among others, benefits include the potential for direct ownership of assets, more information for risk management and a better alignment of interests. However, notwithstanding what are definable and measurable benefits, many investor staffs, executives and Boards continue to be concerned about what are seen as the challenges of a direct investing plan.

SkyBridge Direct has been created for those institutional investors looking to gain the benefits of direct investing in hedge funds while mitigating many of the challenges. SkyBridge Direct was created and is managed by the team who developed and implemented New York State Common Retirement Fund's transition from a $4 billion fund of hedge funds portfolio to a $4 billion program of direct investments.

The former New York State team of Pete Carey and Rob Mazurek chose the SkyBridge Capital team to implement the program for a number of reasons, including the experience of the investment professionals and portfolio managers, the investment process and systems, and the track record of the firm's fund of fund products, provided on page 7 of this document.

For investors considering a direct investment in hedge funds or fund of funds, whether *de novo* or as part of a transition, learn what SkyBridge Direct has to offer and see how we can help you address the challenges to investing in hedge funds, align your interests with the investment managers, and develop a sophisticated direct hedge fund investment program.

Hedge Fund Investing Challenges

Hedge funds differ from other types of investments for a number of reasons that present challenges to institutional investors. First, and a favorite of journalists, are hedge funds' fee structure, which is often a base fee on assets under management in addition to a share of the performance generated. Also, as compared to long-only managers, hedge fund managers employ investment strategies with fewer constraints on style and execution. Another reason hedge funds are different is their investment structure; they have 'lock-ups' that limit investors' redemption rights; they may use leverage to enhance returns and most do not calculate net asset value more frequently than monthly. The investment managers are relatively small, highly scalable and rely on a few talented investment professionals who almost always co-invest their personal capital alongside investor capital. These differences can create structural, cultural and investment advantages that often times result in risk-adjusted returns that outperform traditional long-only equity and fixed-income portfolio investments.

Institutional investors historically have viewed these differences as hurdles which are difficult to overcome with existing resources. Institutional investors who do meet the challenges of hedge fund investing tend do so by bringing together a mix of internal resources and outsourced solutions from various advisors. These solutions include investment policies and procedures, a tailored investment strategic plan, an investment consultant's investment and operational due diligence, capital administration and custody, and risk management, among other things.

The challenges to hedge fund investing are usually met with solutions that are either part of a funds of hedge funds offering, or *à la carte*, which has come to be known as 'going direct'. The end goal of these different solutions is the same: to overcome the challenges to investing in hedge funds such that the investor's executives and Board have comfort about the process and the components of the hedge fund portfolio. Unfortunately, these types of solutions usually result in a portfolio "line item" that is referred to as "the hedge fund portfolio" or "the absolute return portfolio", which is limited in allocation size and as a consequence, constrains or reduces the benefits to the investor's total portfolio.

Strategic Portfolio vs. Portfolio "Line-Item"

The goal of SkyBridge Direct is to break down the barriers to hedge fund allocations and overcome the challenges to direct investing that too often result in the "line-item" allocation. SkyBridge Direct's customized solution is designed to allow institutional investors to realize the full benefit of diversification where attractive compounded, uncorrelated, risk-adjusted returns are sought in the total portfolio through strategic allocations.

Many institutional investor portfolios of hedge funds are currently disadvantaged by diluted or correlated positions that create "di-worse-ification". A 2004 study by Francois-Serge Lhabitant of Kedge Capital Fund Management and Michelle Learned of Thunderbird, concluded, "Holding too many funds may result in over-diversification, the dilution of each fund's contribution and the neutralization of most diversification benefits."[1] Investors should be aware that hedge fund strategies are correlated, in varying degrees, to the markets in which they trade as well as to other funds and strategies. In order to capture the benefits of diversification, hedge fund allocations should be evaluated holistically.

SkyBridge Direct was developed to assist institutional investors in the implementation of strategic hedge fund allocations that enhance their overall portfolio. It is intended to be an alternative or a complement to the "line item" allocation. By delivering to institutional investors a holistic, fully transparent support infrastructure, SkyBridge Direct helps investors more effectively realize the benefits of diversified returns of individual hedge funds and unique investment strategies. Institutional investors will be provided access to SkyBridge's investment talent and open-access back-office systems. The portfolio managers and team will provide strategic or opportunistic allocations plans, hedge fund due diligence and risk management, all with a view toward the strategic positioning within the overall portfolio.

The SkyBridge Direct team will evaluate the client's overall portfolio by asset class and suggest hedge fund strategies and managers that complement those investments. The goal of this integrated approach is to enhance diversification, and reduce

Advantages of SkyBridge Direct

- Track record and public fund experience
- Transparency of investment process
- Partnership with client
- Best practices in investment management
- Strategic and opportunistic allocations
- Back-office support and fee negotiations
- Open-access, web based systems

[1] Francois-Serge Lhabitant and Michelle Learned, "Hedge Fund Diversification: How Much Is Enough?", 2004.

correlations and total portfolio risk, and generate strategic positive risk-adjusted returns across market cycles.

SkyBridge Direct offers a support structure that is both transparent and transferable. Unlike most funds of funds, the SkyBridge Direct solution allows the investor to own the underlying limited partnership interests directly. The flexibility of the offering also allows for customized specific strategy portfolios or just back-office support. We believe the investor should have the option of replacing SkyBridge as the advisor, while maintaining investments in the underlying hedge funds themselves.

We believe this flexibility should also foster a culture of ownership. David Swensen, the Chief Investment Officer at Yale University, has written about the critical aspects of developing a productive investment culture to generate 'alpha' in his 1999 book, *Pioneering Portfolio Management: An Unconventional Approach to Investment Management*. Like Mr. Swensen, we believe an investor's investment staff helps to create 'alpha' by participating in all aspects of the investment process. That is why SkyBridge Direct is designed to enable the investor to participate in the process while freeing up precious time by using our proprietary backoffice systems. SkyBridge Direct's staff will work with an institutional investor's staff in constructing the portfolio, selecting managers and managing risks. We welcome the client's participation in the investment committee and manager meetings and reviews.

Alignment of Interests & Transparency

We believe partnering with the investment staff can achieve a better alignment of interests with the investment managers. Alignment of interests includes negotiated fee terms, lock-up periods, gates and side-pockets, transparency of positions, frequency of reporting, as well as customized investment mandates and strategies. While much has been written about in the mainstream and industry media about this topic, there are very few who have actually achieved this goal. Carey and Mazurek have designed SkyBridge Direct based on their experience at New York State to achieve this alignment.

SkyBridge Direct offers cost-effective and "plug-and-play" solutions that enable institutional investors to retain their natural strengths as allocators of capital. We believe that by empowering the client-partner to own well-researched funds with a transparent support structure the investor can focus on what matters most in the investment manager relationship without being overburdened with the business risks and biases of various service providers.

One of the most challenging issues for institutional investors and their Boards in allocating to hedge funds is the transparency of the investment process and the investment funds. A study by SEI and Greenwich Partners highlighted that the single biggest issue for institutional investors in hedge funds is transparency, or "obtaining adequate information to fully understand the fund's strategy," and "having a deep understanding of the underlying positions to be sure that the risk profile is well in line with what we are looking for."[2]

SkyBridge Direct addresses these issues by providing transparent quantitative and qualitative information throughout the due diligence, review, and selection process as well as on an on-going basis after an allocation is made. The SkyBridge Direct team is uniquely qualified to deliver this support as a result of the experience implementing the transition from the "line item" portfolio to a direct strategic portfolio for one of the world's largest institutional investors.

Based on the experience of the SkyBridge Direct team, a direct investment approach also can empower institutional investors to realize their natural advantage in negotiating fees and terms rather than just accepting what managers may dictate. SkyBridge Direct enables investors to avail themselves of this inherent strength by working with them, helping them understand where the opportunities lie and how best to execute.

[2] SEI Knowledge Partnership and Greenwich Associates, "The Era of the Investor, New Rules of Institutional Hedge Fund Investing", January 2010.

Delivering for Investors

SkyBridge Direct fills the needs of two sets of investors, those with existing allocations to hedge funds and those without any direct investments. For investors with an existing allocation, SkyBridge Direct can operate as a transition team, or complementary investment program. The team can either manage the transition of existing fund relationships or create a custom complementary investment program. The team will advise the investor on the reallocation of capital while maintaining structural liquidity in the existing program. The legacy hedge fund positions and/or new allocations will be sized according to the risk and return requirements of the client-specific strategic plan. SkyBridge Direct will seek to provide a cost-saving resolution while maintaining or enhancing exposure to more appropriate and attractive hedge fund investments. These solutions will be provided with a cost-effective fee structure.

For those investors who do not have existing direct hedge fund investments, SkyBridge Direct will initiate the hedge fund program with a full-service solution in concert with the investment staff. SkyBridge Direct enables the investor and staff to outsource as much, or as little, of hedge fund investment management as the investor needs. SkyBridge Direct will offer the transparency that enables investors, their advisors and their Boards to understand what they own in their hedge fund investments and how that relates to their overall investment portfolio. SkyBridge Direct's team is confident that institutional investors will realize the intended benefits of hedge fund investments more efficiently as a result of this strategic implementation.

SkyBridge Direct will help manage the investment of capital through the most efficient legal and cost structure for the investment portfolio and within the investor's policy guidelines, complementing traditional and specialist consultants' role in the process. SkyBridge Direct can be structured to provide investors with direct fund ownership, or, alternatively, provide the investors with the comfort of a full discretionary mandate, whichever suits the needs of the client.

Conclusion

Institutional investors face many challenges to hedge fund investing. Current market solutions can disadvantage institutional investors by diluting the natural strengths of the size, tenure and terms of their allocations. These approaches can result in unnecessary business risks and introduce various biases into strategic allocations. At the same time uncoordinated allocations can result in di-worsification. The SkyBridge Direct solution is designed to address the challenges and limitations in the market today by empowering the investors with the resources, transparency and partnership necessary for successful hedge fund investing.

About SkyBridge Capital

SkyBridge Capital is a global alternative investment firm with approximately $7.4 billion in assets under management or advisement as of December 1, 2010. The firm provides investment management products, portfolio management and advisory services. SkyBridge is led by a team of professionals with complementary skills and experiences. Ray Nolte, Scott Prince and Anthony Scaramucci serve as Co-Managing Partners. SkyBridge has 48 full-time employees. SkyBridge Capital II, LLC is registered with the SEC as an investment advisor.

SkyBridge was founded in 2005. In May 2008, SkyBridge Capital and Challenger Financial Services Group, an ASX 200 company, jointly announced a joint strategic partnership to form the first global institutional emerging manager seeding platform. Challenger Financial Services Group is an ASX-listed investment management firm established in 1985, and is the foremost issuer of annuities in Australia as well as a leading provider of listed and unlisted investment products and services. In July 2010 SkyBridge acquired the Hedge Fund Management Group of Citigroup Alternative Investments LLC, including the group's fund of hedge funds, hedge fund advisory and hedge fund seeding businesses. Through this acquisition, substantially all of the Hedge Fund Management Group joined SkyBridge. There were no changes in the investment process.

The Team

Anthony Scaramucci

Prior to SkyBridge he had co-founded Oscar Capital Management, which was sold to Neuberger Berman, LLC in 2001 after building a managed account business and four hedge funds with an aggregate of more than $800 million of assets in aggregate. Upon Neuberger Berman's sale to Lehman Brothers in 2003, he served as a Managing Director in their Investment Management Division. From 1989 to 1996, Mr. Scaramucci was at Goldman Sachs & Co., where in 1993 he became a Vice President in Private Wealth Management. He earned a B.A. in Economics from Tufts University in 1986 and graduated *summa cum laude*. He is a member of the Phi Beta Kappa society. He graduated with a J.D. from Harvard Law School in 1989. Mr. Scaramucci is a Board Member of The Lymphoma Foundation and The Brain Tumor Foundation. He is also on the Board of Overseers for the School of Arts and Sciences at Tufts University and a member of the NYC Financial Services Advisory Committee.

Scott Prince

At Eton Park, he was global head of trading and the fund's derivatives business, and was responsible for building out its global trading platform and risk infrastructure. Prior to joining Eton Park in 2004, Mr. Prince was Co-Head of Equities Trading and of Global Equity Derivatives at Goldman Sachs & Co. He became a Goldman Sachs partner in 1998, and served on the firm's Finance Committee, the Equity Division's Risk Committee, and the Equity Division's Operating Committee. He was also a director of the International Securities Exchange from 2002 to 2004. Mr. Prince received an M.B.A. from the University of Chicago and a B.S. in Economics from the Wharton School of the University of Pennsylvania, where he is currently a member of the Undergraduate Executive Board.

Ray Nolte

Ray Nolte was the CEO of the Hedge Fund Management Group at Citigroup Alternative Investments where he was also Chairman of the Group's Investment Committee and Chief Investment Officer. Before joining CAI in September 2005, he worked at Deutsche Bank (1999 – 2005) and Bankers Trust Company from 1983 until the firm was acquired by Deutsche Bank in 1999. At Deutsche Asset Management, Mr. Nolte held roles as the Global Head and CIO of the DB Absolute Return Strategies Fund of Funds business, the Chairman of its Investment Committee, Vice Chairman of DB ARS as well as Head of the Single Manager Hedge Fund business. In late 1996, Mr. Nolte started the Bankers Trust Fund of Funds business and launched the Topiary family of funds, which grew to $7 billion in assets under management when he left in 2005. The business was comprised of several multi-manager, multi-strategy funds as well as single strategy funds and separate accounts. He started his career at Bankers Trust Company in 1983 in the foreign exchange and foreign fixed income sales and trading desk before moving to the capital markets and derivatives business. In 1994, he was named the head of the Global Portfolio Management business which was responsible for the discretionary management of global balanced investor portfolios. Mr. Nolte received his B.B.A. in Finance from George Washington University.

Peter Carey

Prior to joining SkyBridge, Mr. Carey led the successful restructuring of the New York State Common Retirement Fund's $4 billion hedge fund portfolio. Under his direction, the hedge fund investment portfolio was rebuilt amidst the market crisis of 2008 to become one of the best performing public hedge fund portfolios in the country. The pension fund was recognized by Institutional Investor as Large Public Pension Plan Investor of the Year in 2010 for its ability to build and manage a hedge fund portfolio and for long-term performance. Prior to joining New York State Common Retirement Fund, Mr. Carey served in various positions in the institutional fixed income department at Bear Stearns. A graduate of the United States Military Academy at West Point, he served as an infantry officer in various positions of leadership at the battalion and company level. Mr. Carey holds an MBA in finance from the University of Southern California. He is a member of the Board of Advisors for the United States Military Academy endowment.

Robert Mazurek

Prior to joining SkyBridge, Mr. Mazurek was an Investment Officer, and portfolio manager, with Peter Carey, for the Absolute Return Strategies group of the New York State Common Retirement Fund. Mr. Mazurek's responsibilities included portfolio strategy, manager selection, and risk monitoring for the Fund's $4 billion hedge fund allocation. Before joining NYSCRF in 2006, Mr. Mazurek specialized in credit analysis with bond insurer FGIC, and held various roles in financial analysis for a private equity holding company of Thayer Capital, Microsoft Corporation, and the Financial Advisory Services group at Coopers & Lybrand. Mr. Mazurek received a B.S.B.A. from Georgetown University and holds the Chartered Alternative Investment Analyst designation.

SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G
Historical Monthly Performance (Net of Fees)

	2003	2004	2005	2006	2007	2008	2009	2010
Jan	0.59%	1.25%	(0.31)%	2.71%	1.39%	(3.37)%	2.01%	1.53%
Feb	(0.74)%	0.30%	1.04%	0.21%	0.20%	3.31%	0.85%	0.55%
Mar	(0.26)%	(0.01)%	(1.01)%	2.06%	1.52%	(1.64)%	0.28%	2.44%
Apr	1.50%	(0.63)%	(1.49)%	1.59%	0.89%	(0.92)%	(0.88)%	2.45%
May	2.21%	(0.91)%	0.13%	(2.18)%	2.25%	2.45%	3.94%	(2.02)%
Jun	0.69%	0.13%	1.54%	(0.41)%	0.67%	1.64%	0.87%	(1.19)%
Jul	0.37%	(0.34)%	1.86%	(0.61)%	1.69%	(3.41)%	2.92%	1.14%
Aug	0.23%	(0.70)%	0.51%	0.56%	(2.73)%	(2.24)%	2.77%	1.20%
Sept	0.51%	0.86%	1.63%	0.26%	2.63%	(4.67)%	1.89%	3.82%
Oct	1.61%	0.35%	(2.02)%	1.54%	6.27%	(6.92)%	1.86%	2.85%
Nov	0.66%	2.12%	1.72%	1.48%	(1.54)%	(3.14)%	1.79%	1.39%
Dec	0.63%	0.88%	2.04%	1.25%	0.23%	(2.23)%	1.66%	2.14%
YTD	**8.26%**	**3.29%**	**5.68%**	**8.69%**	**14.03%**	**(19.62)%**	**21.79%**	**17.40%**

Performance results are presented for calendar years, while the fiscal year-end for Series G ends on March 31. Yearly data set forth above are accordingly derived from summed monthly results which are audited for all periods prior to March 31, 2010 and unaudited thereafter and subject to change. In all cases, results are presented net of fees and expenses. Unless otherwise noted, the performance information shows actual returns of Series G since inception in January 2003. The results shown above do not reflect the effects of any placement fees and would be lower if they did. Please see information about placement fees on the previous page. There were changes in the senior management and investment personnel and investment process of the Adviser in September 2005 when the tenure of the current portfolio management team commenced. It is not possible to know whether and to what extent performance returns were impacted by such changes. **Past performance does not guarantee future results. Actual results may vary. Investors cannot invest in an index.**

SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G Statistical Analysis (As of December 31, 2010)				
	Series G	**HFRI Fund of Funds Composite Index**	**S&P 500 Total Return**	**Barclays Aggregate Bond Index**
1 Year Return (annualized)	17.40%	5.58%	15.07%	6.56%
3 Year Return (annualized)	4.75%	(2.54)%	(2.85)%	5.91%
5 Year Return (annualized)	7.33%	2.42%	2.29%	5.80%
Annualized Compound Return Since Inception (1/1/03-12/31/10)	6.73%	4.71%	6.67%	4.98%
Average Monthly Return Since Inception (1/1/03-12/31/10)	0.56%	0.40%	0.64%	0.41%
Largest Monthly Return*	6.27%	3.32%	9.56%	3.73%
Lowest Monthly Return**	(6.92)%	(6.54)%	(16.79)%	(3.36)%
Maximum Drawdown***	(20.67)%	(22.22)%	(50.92)%	(3.82)%
Sharpe Ratio (annualized)****	0.62	0.37	0.33	0.60
Standard Deviation (annualized)****	6.65%	5.78%	15.16%	3.82%
Beta (Index=S&P 500)****	0.23	0.26	-	0.02

*The largest monthly return for Series G took place during October 2007. The largest monthly return for HFRI Fund of Funds Composite Index took place during May 2009. The largest monthly return for S&P 500 Total Return Index took place during April 2009. The largest monthly return for Barclays Aggregate Bond Index took place during December 2008.

**The lowest monthly return for Series G took place during October 2008. The lowest monthly return for HFRI Fund of Funds Composite Index took place during September 2008. The lowest monthly return for S&P 500 Total Return Index took place during October 2008. The lowest monthly return for Barclays Aggregate Bond Index took place during July 2003.

***The largest drawdown for Series G took place from November 2007 to December 2008. The largest drawdown for HFRI Fund of Funds Composite Index took place from November 2007 to December 2008. The largest drawdown for S&P 500 Total Return Index from November 2008 to February 2009. The largest drawdown for Barclays Aggregate Bond Index took place from April 2008 to October 2008.

****Please refer to the Glossary for definitions of these terms and index disclosure.

All statistical analysis is based on Series G's inception of January 2003. Performance results are based on the calendar year while Series G's fiscal year end is March 31. The results for the 1, 3, and 5 year periods are rolling based on the respective 12, 36, or 60 month period ending on the as of date stated above. Performance results through March 31 2010 are based on audited financial statements and are presented net of Series G fees and expenses. Performance results after March 2010 are net of Series G fees and expenses based on unaudited financials. Unless otherwise noted, the performance information shows actual returns of Series G since inception in January 2003. The results shown above do not reflect the effects of any placement fees and would be lower if they did. Please see information about placement fees on the first page. There were changes in the senior management and investment personnel and investment process of the Adviser in September 2005 when the tenure of the current portfolio management team commenced. It is not possible to know whether and to what extent performance returns were impacted by such changes. Statistical data has been obtained from PerTrac. **Past performance does not guarantee future results. Actual results may vary. Investors cannot invest in an index.**

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- The investments described herein are offered to potential investors on the basis of the information in the Prospectus. No person has been authorized to make representations or provide any information relating to these investments that are inconsistent with or not otherwise contained in the Prospectus.

- As further described in the offering documents, an investment in alternative investments can be highly illiquid, speculative and not suitable for all investors. Investing in alternative investments is only intended 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

  – Investment manager risk.

- Individual funds will have specific risks related to their investment programs that will vary from fund to fund. See "Certain Risk Factors" in the Confidential Memorandum.

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An investor should consider carefully the investment objectives, risks, and charges and expenses of a fund before investing. The Prospectus contains this and other important information and is available upon request to SkyBridge or your Placement Agent. Read the Prospectus carefully before investing.

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Performance data represents past performance. Current performance may be lower or higher than the performance data quoted. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost.

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