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*Experts in Fixed Income Alternatives*

(<https://kstonepartners.com>)

KStone Partners specializes in managing low volatility funds of hedge funds that primarily invest in niche, credit-related arbitrage and relative value strategies



KStone Partners LLC, an SEC registered investment adviser, provides funds of hedge funds to institutions and high net worth investors. KStone seeks to produce an attractive risk adjusted return for its clients and constructs portfolios that have lower volatility, higher alpha and low correlation to equity and fixed income markets. KStone has the expertise to design and implement a customized account for an investor.



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## Firm Overview

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*KStone Partners LLC is a privately owned alternative asset management company founded in 2008*

## Competitive Advantage

KStone's Investment Committee has a long track record of managing alternative investment funds that generated attractive risk-adjusted investment performance for investors in portfolios of hedge funds.



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## Asset Allocation

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KStone pursues an investment strategy that is premised on the benefits of diversification.  
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KStone's principal focus is on risk management at the portfolio and investment manager levels. It controls volatility and protects against downside risk. KStone conducts in-depth structural risk analysis of high potential hedge portfolio managers.

## Investment Highlights

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*KStone aims to deliver superior investment results for a given level of risk*



### Proven Investment Philosophy

KStone primarily invests in a diversified portfolio of lower risk, non-directional alternative strategies. KStone seeks to achieve returns that exceed the risk-free rate of return, with volatility similar to fixed income markets.



### Attractive Investment Performance

Historically, the portfolios that KStone manages have generated superior risk-adjusted returns. Generally, KStone's portfolios are not dependent on the performance of the equity markets for returns.



### Attractive Fixed Income Alternative

KStone seeks to mitigate risk by having the sources of return be diverse and not correlated to interest rate movement.



### Focused Risk Management

KStone's primary focus is on risk management at the portfolio and underlying manager levels and KStone invests in strategies that control volatility and preserve investors' capital.



## KStone Partners' Team

*KStone has assembled a talented team with significant relevant experience*



(<https://kstonepartners.com/documents/KStonesPartnersTeam.pdf>)

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Mark J. Kenyon

CHAIRMAN AND CHIEF INVESTMENT OFFICER

Email: [mk@kstonepartners.com](mailto:mk@kstonepartners.com) (<mailto:mk@kstonepartners.com>)

Mr. Kenyon is the Chairman and Chief Investment Officer of KStone Partners LLC. Mr. Kenyon is a well-recognized professional in the alternative asset management area and has experience in all investment and operational aspects of managing multi-manager funds. He has developed a number of sophisticated approaches for evaluating and monitoring investment performance and the measurement of risks associated with alternative investing. He has been the founder and lead executive at two highly successful and well-recognized Fund of Hedge Fund enterprises.



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In 2008, Mr. Kenyon served as Chairman and President & Senior Advisor of Modern Capital and Protégé Partners, respectively.

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In 1998, he founded UBP Asset Management (“UBPAM”) where he took the firm from startup to \$15 billion in assets under management. At the end of 2007, Mr. Kenyon sold his minority interest in UBAM back to its’ Swiss-based parent company.

After functioning as the Chief Financial Officer at Blackstone for several years in the late 1980’s, Mr. Kenyon co-founded Blackstone Alternative Asset Management (“BAAM”) in 1992. He was instrumental in the creation and build-out of the fund of funds platform at Blackstone with \$1 billion in assets under management before his departure in 1997. He was a Managing Director at Blackstone and was responsible for all investment and operational aspects of the BAAM’s business.

Prior to his time at Blackstone, Mr. Kenyon worked at Kidder Peabody, JP Morgan, Refco and started his career at Price Waterhouse in 1976.

Mr. Kenyon received his B.S. degree from the University of California at Berkeley and his M.B.A. from the University of San Francisco.



Joseph H. Marren

PRESIDENT & CHIEF EXECUTIVE OFFICER

Email: [jm@kstonepartners.com](mailto:jm@kstonepartners.com) (<mailto:jm@kstonepartners.com>)

Joseph H. Marren is the President, Chief Executive Officer and Chief Compliance Officer of KStone Partners LLC. He is a member of its Investment Committee and leads the firm’s marketing efforts.

Joe spent the twenty-three years prior to starting KStone in investment banking primarily as head of the business development function in the merger and acquisition departments at a number of leading Wall Street firms including Sagent Advisors, Citigroup, Credit-Suisse, Donaldson, Lufkin & Jenrette, The Prudential Securities and Kidder Peabody & Co. He specialized in identifying attractive investment opportunities for corporations, financial sponsors and entrepreneurs as well as assisting in



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the execution of transactions. Before moving to Wall Street in 1985, he worked for American Maize-Products Company, a diversified conglomerate. Mr. Marren began his career in 1976 at Price Waterhouse & Co.

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He is the author of two books "*Mergers & Acquisitions: A Valuation Handbook*" and "*Mergers & Acquisitions: Will You Overpay?*", taught M&A for several years as an Adjunct Professor at NYU Stern School of Business and has guest lectured at Fordham Law, Columbia Law and Columbia Business School. He received a BBA from the College of William & Mary, a JD from Fordham University School of Law and an MBA from NYU Stern School of Business.

In 2017, Mr. Marren joined the advisory Board of IBP Institute, which has developed the investment banking professional credential.



Joseph Drohan

SENIOR MANAGING DIRECTOR

Email: [jd@kstonepartners.com](mailto:jd@kstonepartners.com) (<mailto:jd@kstonepartners.com>)

Mr. Drohan is the Senior Managing Director at KStone Partners LLC. In this capacity Mr. Drohan oversees the research, due diligence and portfolio construction process for KStone's investments into the underlying hedge funds.

Mr. Drohan has twenty-seven years of leadership experience in financial services, treasury, contract management and cash management initiatives. Most recently, he was the head of the Private Equity Group at Union Bancaire Privee Asset Management (UBPAM), where he worked with the firm's CEO, Mark Kenyon, to establish and build out the private bank's global Private Equity platform. The Private Equity Group researched and invested in leveraged buyout funds, mezzanine, distressed and venture funds. In that position he also worked with the UBP international research team to analyze all illiquid and long duration investment products to the bank's clients. Mr. Drohan was a member of the Investment Committees of the Selectinvest Private Equity Access Fund, Ltd (Cayman Islands), and the Diamond I SICAV Fund, a publicly traded SICAV fund listed on the Luxembourg Bourse.



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Prior to establishing the UBPA Private Equity platform, Mr. Drohan was the Co-Founder and President of a private equity backed revenue cycle management platform in the healthcare services sector. The firm provided ASP based cash management and accelerated payments receivable solutions to improve cash flow. The firm was sold to a strategic competitor in 2007.

Mr. Drohan worked for 18 years in healthcare financial management, specifically in the areas of cost accounting, contract negotiation, business development, and audit and controllership functions. He was a charter member of the Healthcare Roundtable, a nationally recognized group dedicated to national healthcare market analysis. He has served on several private and public company boards.

Mr. Drohan received a Masters Degree from Long Island University in 1991 where he was an adjunct professor, and a BA from Mercy College in 1980.



Kenneth C. Whitney  
SENIOR ADVISOR

Email: kw@kstonepartners.com (mailto:kw@kstonepartners.com)

Kenneth C. Whitney is the founding member of WSB Capital, a private investment office formed in 2013 to make investments in startup companies and entertainment projects. On the entertainment side he has made three investments to date; Fun Home, which won the Tony Award for Best New Musical in 2015, Tommy's Honor, which won the BAFTA Scotland award for Best Feature Film in 2016, and American, which is currently being shown at film festivals around the country. Mr. Whitney was previously a Senior Managing Director and Head of Business Development at Blackstone from 1988 to 2013, where he was a member of the Executive Committee and Investment Committees for all of its private investment funds. Prior to joining Blackstone, he worked at Coopers & Lybrand, today PriceWaterhouseCoopers, from 1980 to 1988.

Mr. Whitney currently sits on the Board of Directors of PJT Partners, the Board of Trustees for the University of Delaware where he also chairs the Investment Committee for the University's Endowment, and is a National Trustee of The First Tee and Chair of the Board of The First Tee of Metropolitan New York. At the University, he has established the Whitney Family Scholarship, the Whitney Family Chair in Accounting, and just recently made the lead gift for the building of the new athletic center. Mr. Whitney graduated from the University of Delaware with a BS in Accounting in 1980.



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Gerald Molinari, CPA

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Mr. Molinari is the Chief Financial Officer of KStone Partners LLC. He has twenty-three years experience as a Certified Public Accountant.

Douglas Dvorak

DIRECTOR, BUSINESS DEVELOPMENT

Email: [dd@kstonepartners.com](mailto:dd@kstonepartners.com) (<mailto:dd@kstonepartners.com>)

Mr. Dvorak is the Director of Business Development at KStone Partners, LLC. In this capacity Mr. Dvorak is focused on raising the awareness of KStone's alternative investment products with institutions, foundations and individual investors.

Jeanette Martin

DIRECTOR OF FINANCE

Email: [jmm@kstonepartners.com](mailto:jmm@kstonepartners.com) (<mailto:jmm@kstonepartners.com>)

Jeanette is responsible for all treasury, cash, custody and accounting functions for all KStone funds.

Marleena Caro

INVESTOR RELATIONS ANALYST

Email: [mc@kstonepartners.com](mailto:mc@kstonepartners.com) (<mailto:mc@kstonepartners.com>)

Marleena is responsible for all operational aspects of the funds and the firm, including monthly reporting, network management and structural risk.

Joseph M. Marren

RESEARCH ANALYST

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Mary Kate Marren

RESEARCH ANALYST

INVESTMENT STRATEGY



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Linda Faccone

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EXECUTIVE ASSISTANT

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Jane Goldstone

EXECUTIVE ASSISTANT

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## Investment Philosophy

*KStone seeks to generate superior risk-adjusted returns in all economic environments*

- KStone seeks to generate absolute, above average risk-adjusted returns for institutions and high net worth individuals by constructing low volatility portfolios with low correlations to the equity and fixed income markets
- KStone's Portfolio are primarily invested with managers that have track records of generating superior risk-adjusted returns and have portfolios with assets less than \$1 billion



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- KStone primarily invests in a diversified portfolio of primarily credit-related, non-directional arbitrage and relative value strategies

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- KStone seeks to invest in portfolio managers that have marketable securities underlying their strategies as the Portfolios provide investors with quarterly liquidity
  - KStone attempts to avoid investing in managers pursuing illiquid strategies
- Certain Portfolios utilize modest amounts of leverage, primarily for working capital needs, at the portfolio level and generally invest in underlying alternative investment products that use reasonable amounts of leverage
- KStone seeks to manage portfolio volatility and correlations to the S&P 500 Total Return Index and Barclay's Capital U.S. Aggregate Index

## Investment Process

*The process starts with our investment philosophy and includes four major stages*



### Research is Key

KStone's extensive network of relationships, established over many years, in the credit-related arbitrage and relative value hedge fund community produces numerous investment opportunities



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Our research and screening process results in a list of potential investment opportunities, i.e.,

"Managers of Interest" that are reviewed by the Investment Committee

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KStone creates a proprietary report for all managers being actively considered

- Thorough due diligence is completed for every investment
- Structural Risk Analysis is conducted on an ongoing basis throughout the life of an investment



## Risk Management

Traditional asset management tools are applied to alternative investing

- KStone completes analysis at the manager and portfolio level



## Portfolio Management

Portfolio construction is driven by top-down macroeconomic views coupled with bottom-up manager identification

- Managers and portfolios are actively monitored
- A "Watch List" is maintained for possible reallocations

# Potential Benefits of Investing in Funds of Hedge Funds



## Potentially Better Risk-Adjusted Returns

<https://kstonepartners.com> May be able to generate alpha through manager selection, portfolio construction and active oversight

Volatility

Investors benefit from consistency and compounding rather than magnitude of returns

## Price for Alternative Investments: Proven Benefits

Incremental fees are modest compared to substantial additional benefits to investors

### Access

Enables investors to invest in hedge funds that they would otherwise not be able to access

### Risk Reduction

- Generally, funds of hedge funds have lower correlations to equity and fixed income markets than individual hedge funds
- Non-directional hedge funds are a different asset class from traditional asset classes
- Limits downside risk of an individual hedge fund blowup

### Expertise, Due Diligence & Monitoring Requirements

- Hedge funds are complex and require in-depth analysis and expertise
- Substantial time commitment is required prior to investing and once invested

### Diversification

- Fund of hedge fund diversification likely more effective than investor just adding direct fund investments
- Different hedge fund strategies work better at different times so having a diversified portfolio of strategies is desirable
- Permits diversification that is not possible given high minimum investments for most hedge funds

### Informational Advantage

Constant monitoring of markets and alternative strategies allows funds of hedge funds management to shift among strategies quickly and efficiently to take advantage of opportunities

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