



# Cheaper Beta Through Managed Futures

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### INVESTMENT RISK DISCLOSURE

**Commodity Futures Contracts.** Trading in commodity interests may involve substantial risks. Commodity markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and the Fund may be required to maintain a position until exercise or expiration, which could result in losses.

Futures positions may be illiquid because, for example, most United States commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavorable positions and subject the Company to substantial losses. In addition, the Fund may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities which may entail greater than ordinary investment or trading risks. Trading may occur on exchanges located outside the U.S. Trading on such markets is not regulated by any U.S. government agency and may involve certain risks not applicable to trading on U.S. exchanges. Some non-US exchanges, in contrast to U.S. exchanges, are principal markets in which performance is the responsibility only of the individual member with whom the trader has entered into a futures contract and not of an exchange or clearing corporation.

**Currency Exchange Rates.** A portion of the Fund's assets may be invested, directly and indirectly, in currencies other than the U.S. dollar and in instruments denominated in currencies other than the U.S. dollar or whose prices are determined with reference to non-U.S. currencies. Conquest Capital may determine not to hedge all or any portion of the foreign currency exposure of the Fund. To the extent unhedged, the value of the assets of the Company will fluctuate with U.S. dollar exchange rates as well as the price changes of the Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies will reduce the effect of increases and magnify the effect of decreases in the prices of the non-dollar denominated instruments owned by the Fund. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the non-U.S. dollar instruments owned by the Fund.

### PERFORMANCE INFORMATION

Conquest Macro results from inception to June 2001 represent the track record of Enterprise Asset Management, LLC. of which Marc Malek was co-principal. From January 1, 2006, full funding of all accounts is assumed and all accounts are assumed to earn the same fees (2% management fee and 20% incentive fee). Rate of return for October 2002 includes one account that began trading October 1, 2002. Because this account was not fully invested on October 1, 2002, the rate of return for this account differs from the existing accounts. If this account had been excluded from the rate of return calculation, the rate of return would have been (1.60)%. Results of Conquest Macro are shown net of a 2% management fee and 20% incentive fee.

#### Limitations of Hypothetical Performance and Underlying Assumptions

This material includes illustrative return information that is hypothetical. Hypothetical performance is not necessarily indicative of future results. The actual past results of an investment under the assumptions upon which the hypothetical returns are presented might well have been different.

**HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.**

**ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.**

The following are the material assumptions on which the hypothetical performance presented herein was based:

The hypothetical returns of Conquest MFS were obtained by assuming a \$100 million initial investment (without fluctuation) and applying the current systems used by Conquest MFS to historic data about the markets in which Conquest MFS currently trades over the period for which the returns were presented. The hypothetical returns assume that all trades required by the system were executed at the prices specified by the system; in reality, execution may not be perfect which could impact returns. The hypothetical returns assume that the current sector, and therefore market, weights would have remained constant whereas they likely would have varied. Hypothetical returns also assume the earning of interest at the three month treasury bill rate and full funding. Unless otherwise indicated, returns of Conquest MFS are shown net of a 1% management fee. The historical returns of the Conquest CTA Beta Index are held constant for this analysis and are thus derived from Conquest MFS without any fees.

#### **Disclosures With Respect to Historical Returns**

The historical returns were obtained using systems different from those currently used by, and trading different markets than those currently traded by, Conquest Macro Fund. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

#### Comparisons To Indices

The S&P 500 Index is an index of large cap U.S. equity securities. The Newedge CTA Index is an index of commodity trading advisors. The HFRI indices are indices of hedge funds. The Lehman Aggregate Bond Index is a broad based index often used to represent investment grade bonds being traded in United States. Indices do not represent actively managed portfolios and no fees are paid on returns on indices. Conquest invests in instruments and strategies not represented in the HFRI Composite and does not invest other hedge funds or commodity trading advisors. The returns of the indices presented herein were obtained from sources which are believed to be reliable, but no representation is made as to the accuracy of such returns.

#### Third Party Data

All third party data has been obtained from publicly available sources which are believed to be reliable. Conquest does not guarantee and makes no representation as to the accuracy of such data.



## Introduction

This presentation was originally delivered in February 2007. The data presented are updated to reflect recent market activity including the global credit contraction.

The conclusions with regards to managed futures performance are not materially different. However, the rising correlations within equities have led to an increased long bias for long/short equity hedge strategies. This relationship is fairly uniform throughout flights-to-quality. Consequently, the replication strategies we used as proxies for long/short equity have now exhibited superior performance, but lower correlations.



## About Conquest Capital Group

**Conquest Capital Group LLC (CCG)** is an alternative asset management firm offering a range of domestic and offshore funds, and managed accounts to institutional and accredited individual investors. CCG manages an asset base of roughly \$464MM and has eleven employees.

CCG wholly owns **Conquest Capital LLC**, a Commodity Trading Advisor and Commodity Pool Operator (CTA/CPO) specializing in the trading of futures and FX markets worldwide. CCG, through its wholly owned subsidiary, Conquest Capital, acts as the Investment Manager for:

- Conquest Macro: \$338MM
- Conquest Managed Futures Select Program: \$116MM
- Conquest Macro FX: \$6MM
- Conquest Carry/Macro Blend: \$5MM



## Goals

- Debunk the myths of alpha in the hedge fund world
- Offer a solution to calculating alpha for hedge funds
- Provide a case study for calculating CTA beta and alpha



## What is Alpha?

- $\text{Return} = \text{Alpha} + \text{Beta} * (\text{Index} - R_f) + R_f$
- In calculating alpha, specifying the correct index benchmark is key
- Using a collection of funds instead of a market index as the benchmark is likely to result in an erroneous alpha estimate





## Isolating Alpha

- A mutual fund with negative alpha to a market index such as the S&P 500 can still demonstrate “alpha” to other mutual funds
- How much would you pay to invest in that mutual fund?
- While this is one popular measure of the “alpha” of alternative managers, to get an accurate alpha the benchmark must be something that can be obtained in the underlying market



## Is it Easy to Calculate Alpha?

- No
- Even if you have the right benchmark, the “alpha” in the equation is simply the unexplained return. It may be, wholly or partially, luck and not skill and may not persist – it’s important to understand the source of any “alpha”
- That is why a lot of beta has so successfully been sold as “alpha” in the hedge fund space



## Replicating Hedge Funds

- It is surprisingly easy to replicate some hedge fund strategies
- The replicating strategies also have some surprises in terms of how they compare to the strategies they are replicating

# Of These Four, Which Strategy Would You Choose?

	Strategy A	Strategy B	Strategy C	Strategy D
Compounded Annual Return	5.50%	1.65%	2.81%	1.74%
Sharpe Ratio (2.50%)	0.37	(0.12)	0.04	(0.04)
Annualized Volatility	8.16%	7.31%	8.17%	19.60%
Maximum Drawdown	(12.17%)	(28.51%)	(28.32%)	(43.13%)

Results presented are from January 2001 to December 2008.

There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

# Net Long – Long 1.5X Russell, Short 1X S&P 500 (Volatility Adjusted to Match HFRI Equity Hedge)

	Long 1.5x Russell / Short 1x SP500 VOL ADJ	CS/Tremont Investable Long/Short Equity Index	HFRI Equity Hedge Index	Russell
Compounded Annual Return	5.50%	1.65%	2.81%	1.74%
Sharpe Ratio (2.50%)	0.37	(0.12)	0.04	(0.04)
Annualized Volatility	8.16%	7.31%	8.17%	19.60%
Maximum Drawdown	(12.17%)	(28.51%)	(28.32%)	(43.13%)
Monthly Alpha of Long Russell/Short S&P Strategy to Index		0.29%	0.23%	0.22%
Correlation of Long Russell/Short S&P Strategy to Index		56.36%	68.67%	90.96%

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# Neutral Strategy – Long Russell, Short S&P 500 in Equal Amounts (Volatility Adjusted to Match HFRI Equity Hedge)

	Long 1x Russell / Short 1x SP500 VOL ADJ	CS/Tremont Investable Long/Short Equity Index	HFRI Equity Hedge Index	Russell
Compounded Annual Return	7.66%	1.65%	2.81%	1.74%
Sharpe Ratio (2.50%)	0.63	(0.12)	0.04	(0.04)
Annualized Volatility	8.15%	7.31%	8.17%	19.60%
Maximum Drawdown	(8.61%)	(28.51%)	(28.32%)	(43.13%)
Monthly Alpha of Long Russell/Short S&P Strategy to Index		0.45%	0.41%	0.40%
Correlation of Long Russell/Short S&P Strategy to Index		35.58%	41.62%	65.61%

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# Net Long Strategy Performance by Risk Regime

Although the Sharpe Ratios are comparable for our proxy and the long/short indices, the indices exhibit smaller upside volatility and larger downside volatility. This disparate relationship causes returns to skew downward during flights-to-quality.

This volatility skew is attributable to the conditional correlation exhibited by most risk premium assets: during flights-to-quality they become significantly more correlated, therein diminishing the diversification benefit.

## Risk-Seeking Months

	Long 1.5x Russell / Short 1x SP500 VOL ADJ	CS/Tremont Investable Long/Short Equity Index	HFRI Equity Hedge Index	Russell
Compounded Annual Return	12.44%	8.40%	10.57%	18.60%
Sharpe Ratio (2.50%)	1.40	1.21	1.34	0.98
Annualized Volatility	7.08%	4.89%	6.04%	16.41%
Correlation of Long Russell/Short S&P Strategy to Index		47.40%	66.28%	88.33%

## Risk-Averse Months

	Long 1.5x Russell / Short 1x SP500 VOL ADJ	CS/Tremont Investable Long/Short Equity Index	HFRI Equity Hedge Index	Russell
Compounded Annual Return	(15.97%)	(19.22%)	(20.73%)	(41.16%)
Sharpe Ratio (2.50%)	(2.15)	(2.09)	(2.23)	(1.93)
Annualized Volatility	8.58%	10.41%	10.44%	22.67%
Correlation of Long Russell/Short S&P Strategy to Index		46.96%	53.48%	91.10%

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# Neutral Strategy Performance by Risk Regime

This effect is even more pronounced when these indices are compared to the neutral strategy. Whereas the volatility for the neutral strategy is effectively independent of risk regime, both indices see their respective volatilities rise by more than 70% during risk-averse months.

## Risk-Seeking Months

	Long 1x Russell / Short 1x SP500 VOL ADJ	CS/Tremont Investable Long/Short Equity Index	HFRI Equity Hedge Index	Russell
Compounded Annual Return	13.61%	8.40%	10.57%	18.60%
Sharpe Ratio (2.50%)	1.47	1.21	1.34	0.98
Annualized Volatility	7.54%	4.89%	6.04%	16.41%
Correlation of Long Russell/Short S&P Strategy to Index		28.83%	36.47%	60.37%

## Risk-Averse Months

	Long 1x Russell / Short 1x SP500 VOL ADJ	CS/Tremont Investable Long/Short Equity Index	HFRI Equity Hedge Index	Russell
Compounded Annual Return	(11.15%)	(19.22%)	(20.73%)	(41.16%)
Sharpe Ratio (2.50%)	(1.71)	(2.09)	(2.23)	(1.93)
Annualized Volatility	7.98%	10.41%	10.44%	22.67%
Correlation of Long Russell/Short S&P Strategy to Index		15.53%	18.22%	59.38%

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## CTA: A Quick Definition

- Commodity Trading Advisors are generally trend followers in Foreign Exchange, Fixed Income, Equities, and Commodities
- The buy as prices are rising and sell as prices are declining
- When markets have large trending moves, they generally benefit

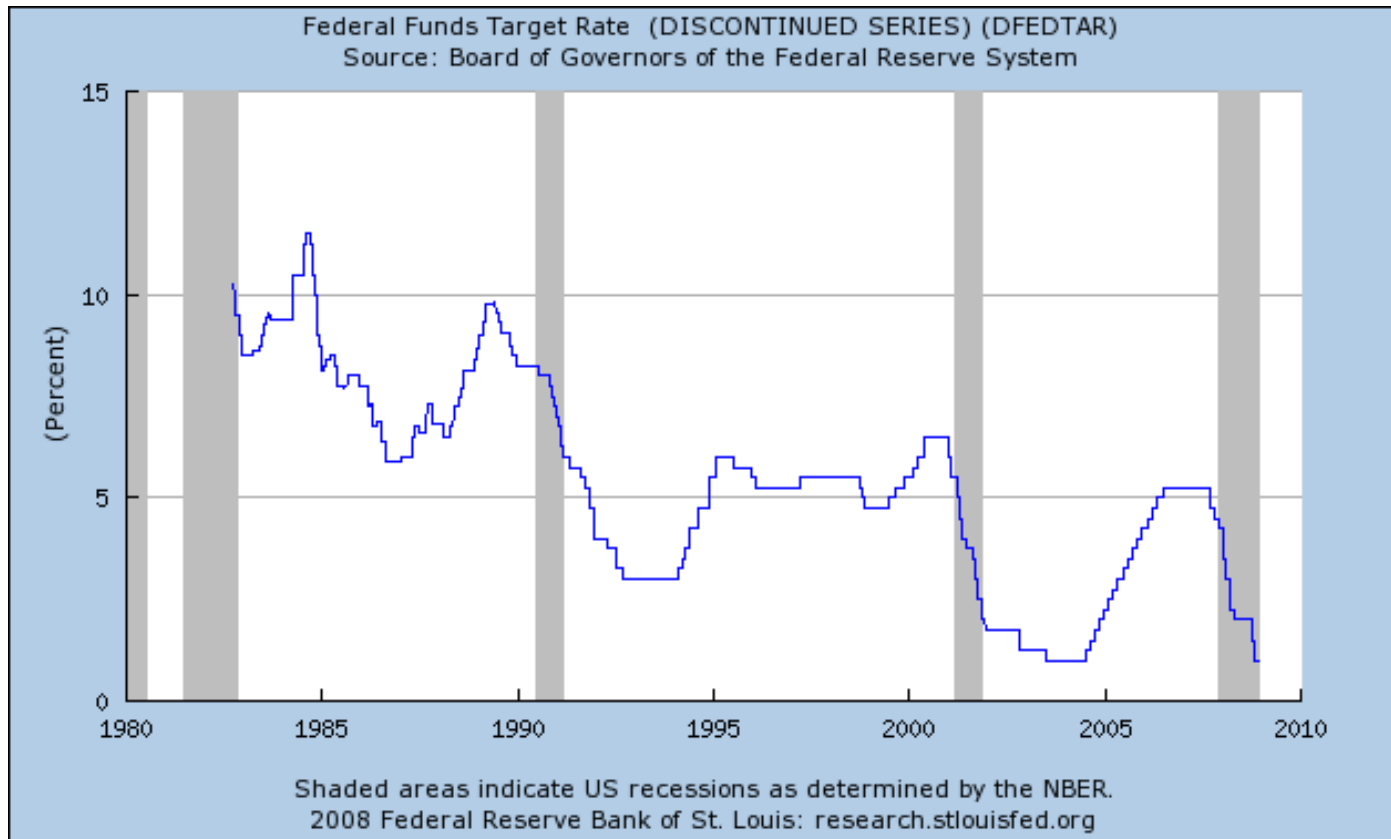


## CTA: Why do Markets Trend?

- Financial versus Commodity Trends
- Exogenous and endogenous reasons
- While the root of financial market trending lies in central bank action, commodities can trend for many other reasons
- Central banks generally change interest rates gradually over long periods leading to trending in financial markets



# Fed Funds Target Rate History





## Advantages of CTAs

- CTAs are uncorrelated to other investment strategies
- CTAs are one of the oldest alternative investments
- CTAs have positive expectancy
- Preferential tax treatment

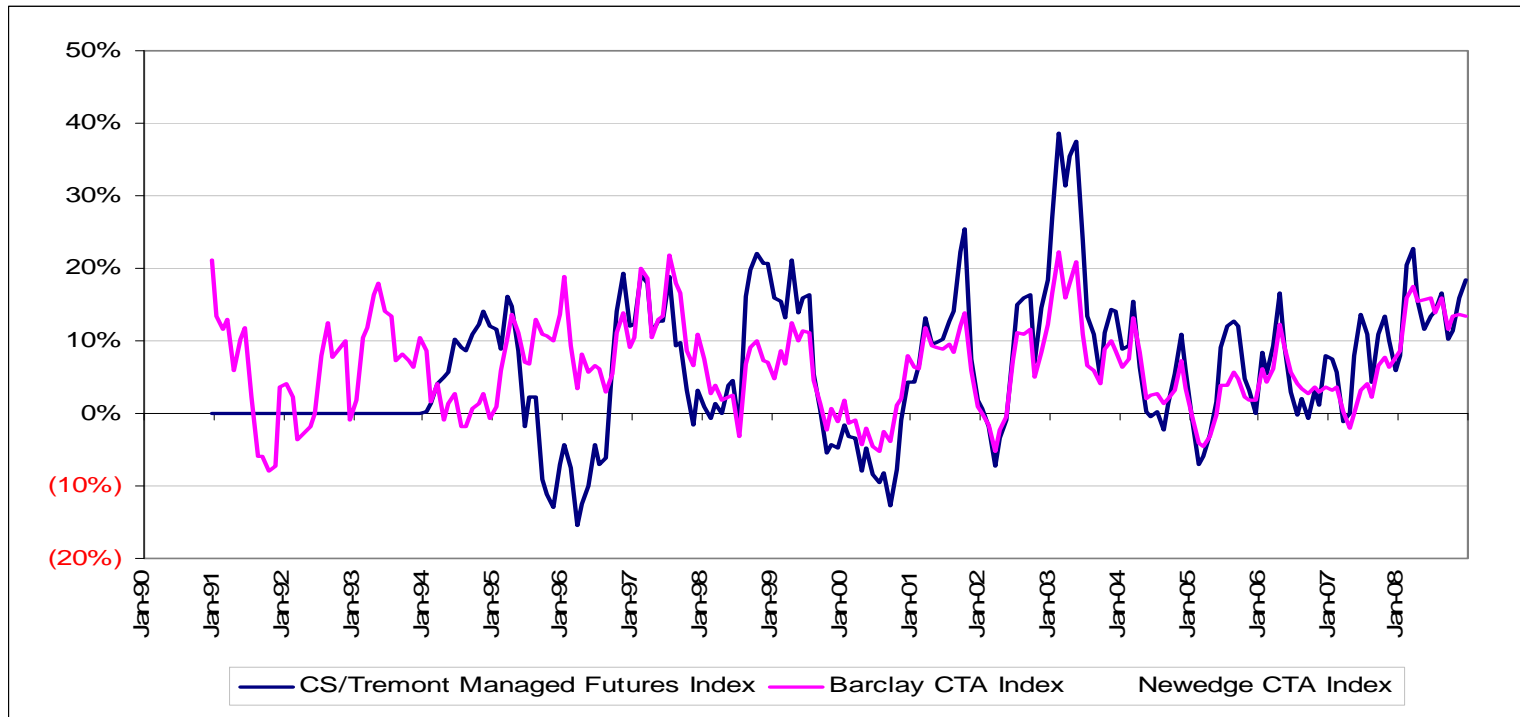


## Preferential Tax Treatment of CTAs

- CTAs have the benefit of the provisions of the Internal Revenue Code Sections 1256 and 988, which provide for preferential tax treatment of certain income
- In particular, for US Federal income tax purposes, up to 60% of the return will be taxed at the long term capital gains rate
- The actual tax treatment will vary depending on the portion of the return attributable to interest and non-US futures markets

# CTAs Had a Difficult Period from 2004 to 2006, Followed by Strong Returns

- Is it cyclical or secular?
- Does it still make sense to invest in CTAs?





## What Factors Influence CTA Returns?

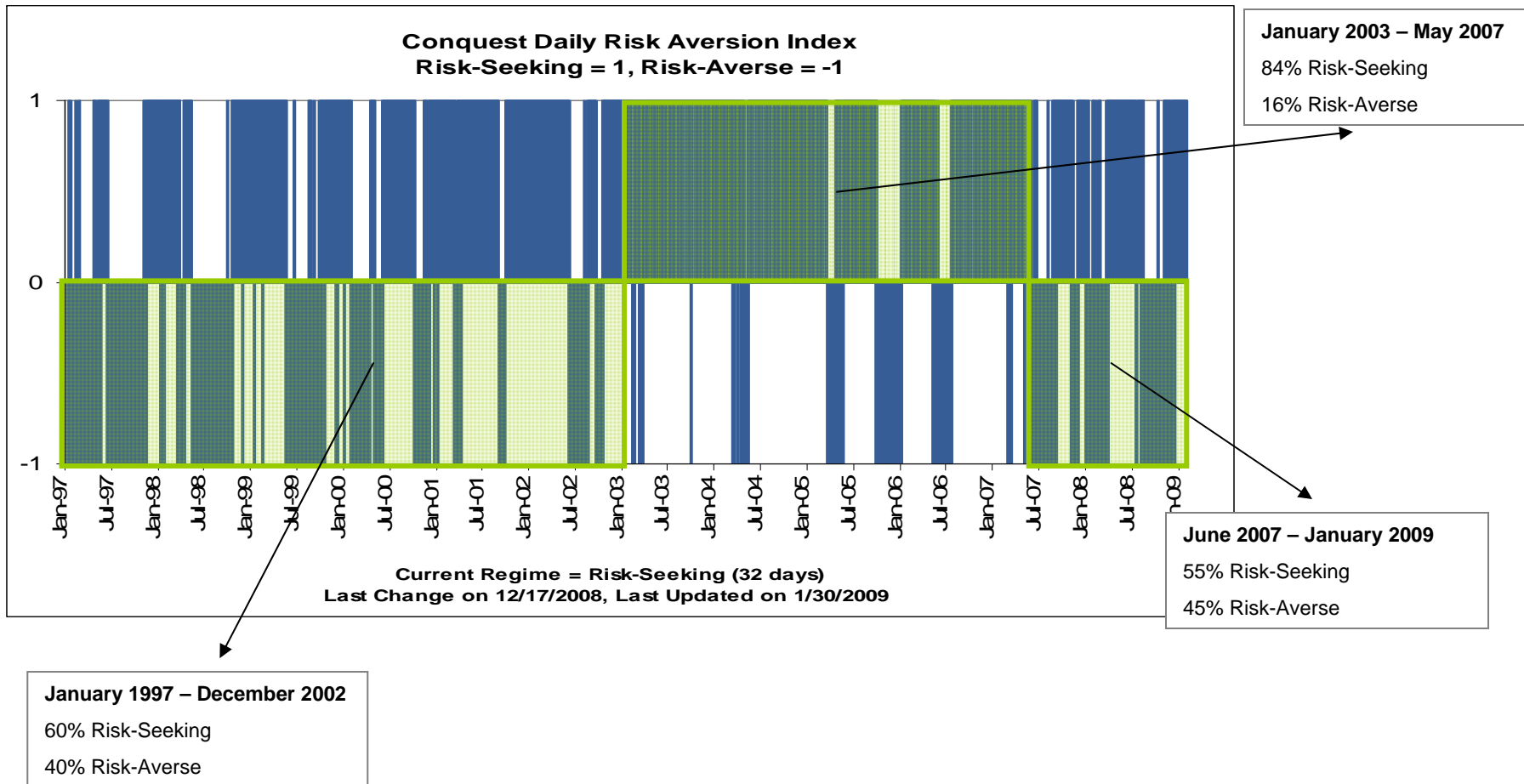
- How can we determine if the risk environment we are in affects our investment returns?
- Do the same factors influence the returns of other hedge fund strategies?



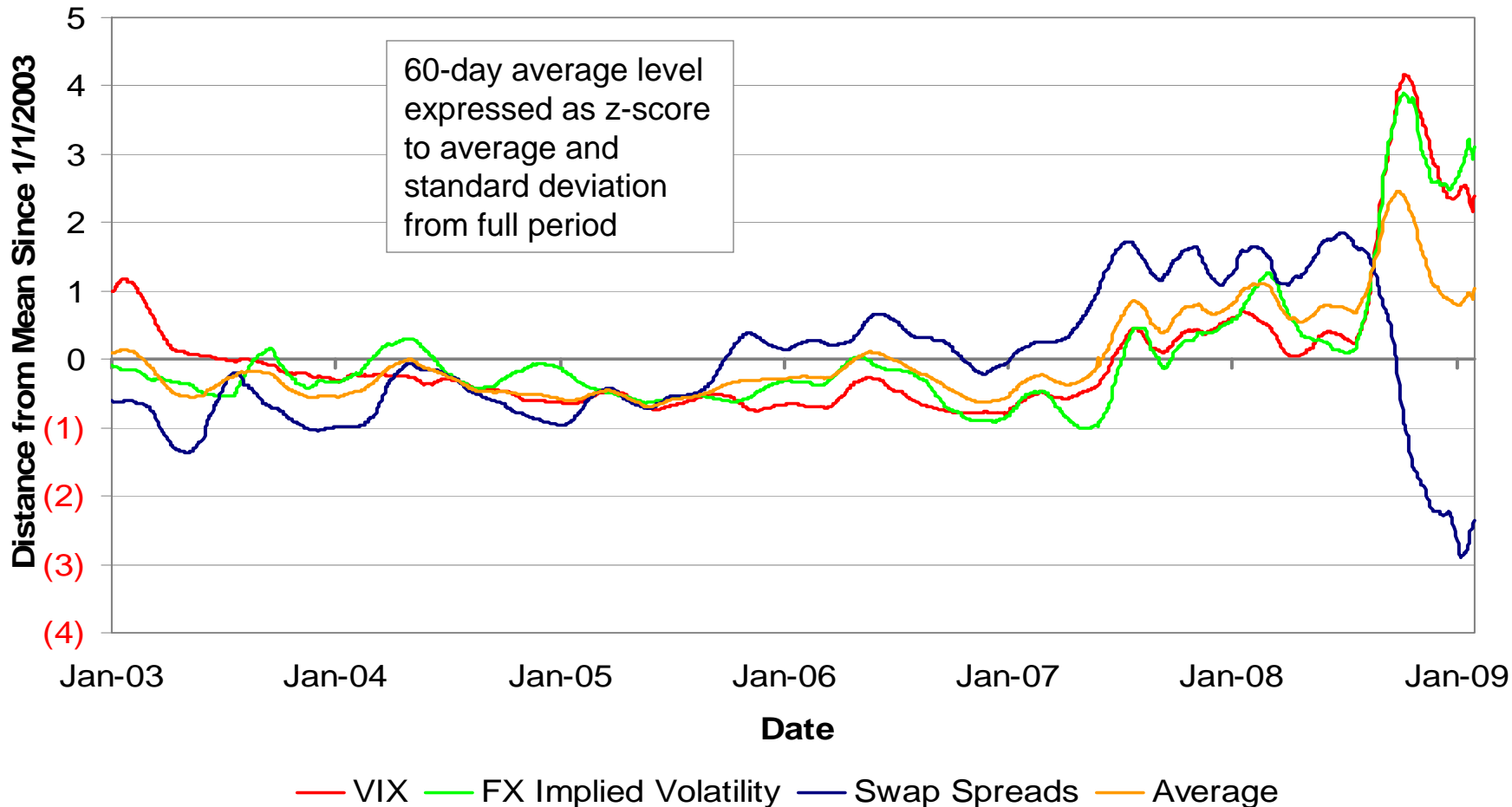
## Building the Conquest Risk Index

- Reduced Liquidity Swap Spreads
- Increased Credit Risk Corporate Bond Spreads
- Increased Emerging Market Event Risk Emerging Market Bond Spread
- FX Volatility
- Equity Volatility





### Risk Aversion Indicators through January 2009: Risk Indicators Have Had Large Swings Over the Past Few Months



With the exception of CTAs and Short Sellers, all other Hedge Fund strategies perform much better in risk-seeking regimes than risk-averse ones.

Credit Suisse/Tremont Hedge Fund		# of	Average	SD of Monthly	Information	
Index	Total P/L	Months	Monthly P/L	Returns	Ratio	Dominant Regime
Risk-Averse	(14.52%)	45	(0.32%)	2.99%	(0.37)	
Risk-Seeking	108.66%	99	1.10%	1.58%	2.40	SEEKING
Aggregate	94.14%	144	0.65%	2.21%	1.02	
Credit Suisse/Tremont Hedge Fund		# of	Average	SD of Monthly	Information	
Index Event Driven	Total P/L	Months	Monthly P/L	Returns	Ratio	Dominant Regime
Risk-Averse	(19.39%)	45	(0.43%)	2.59%	(0.58)	
Risk-Seeking	121.46%	99	1.23%	1.10%	3.87	SEEKING
Aggregate	102.07%	144	0.71%	1.87%	1.32	
Credit Suisse/Tremont Hedge Fund		# of	Average	SD of Monthly	Information	
Index Global Macro	Total P/L	Months	Monthly P/L	Returns	Ratio	Dominant Regime
Risk-Averse	16.65%	45	0.37%	3.95%	0.32	
Risk-Seeking	122.04%	99	1.23%	1.97%	2.17	SEEKING
Aggregate	138.69%	144	0.96%	2.76%	1.21	
Credit Suisse/Tremont Hedge Fund		# of	Average	SD of Monthly	Information	
Index Emerging Markets	Total P/L	Months	Monthly P/L	Returns	Ratio	Dominant Regime
Risk-Averse	(63.50%)	45	(1.41%)	5.84%	(0.84)	
Risk-Seeking	152.17%	99	1.54%	3.13%	1.70	SEEKING
Aggregate	88.67%	144	0.62%	4.37%	0.49	
Credit Suisse/Tremont Hedge Fund		# of	Average	SD of Monthly	Information	
Index Dedicated Short Bias	Total P/L	Months	Monthly P/L	Returns	Ratio	Dominant Regime
Risk-Averse	94.46%	45	2.10%	6.15%	1.18	AVERSE
Risk-Seeking	(88.72%)	99	(0.90%)	4.24%	(0.73)	
Aggregate	5.74%	144	0.04%	5.09%	0.03	
Conquest CTA Beta Index		# of	Average	SD of Monthly	Information	
Index	Total P/L	Months	Monthly P/L	Returns	Ratio	Dominant Regime
Risk-Averse	117.35%	45	2.61%	5.36%	1.69	AVERSE
Risk-Seeking	92.51%	99	0.93%	4.07%	0.80	
Aggregate	209.86%	144	1.46%	4.56%	1.11	

Results presented are from January 1997 to December 2008.

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## What is the Best Way to Obtain CTA Exposure?

- Do not pay alpha prices for beta
- Do not confuse alpha with leverage
- **If you can find it**, pay high fees for “alpha”
  - Only do this if you are confident you have found alpha
  - You may be wrong about the alpha, but you will definitely pay the fees



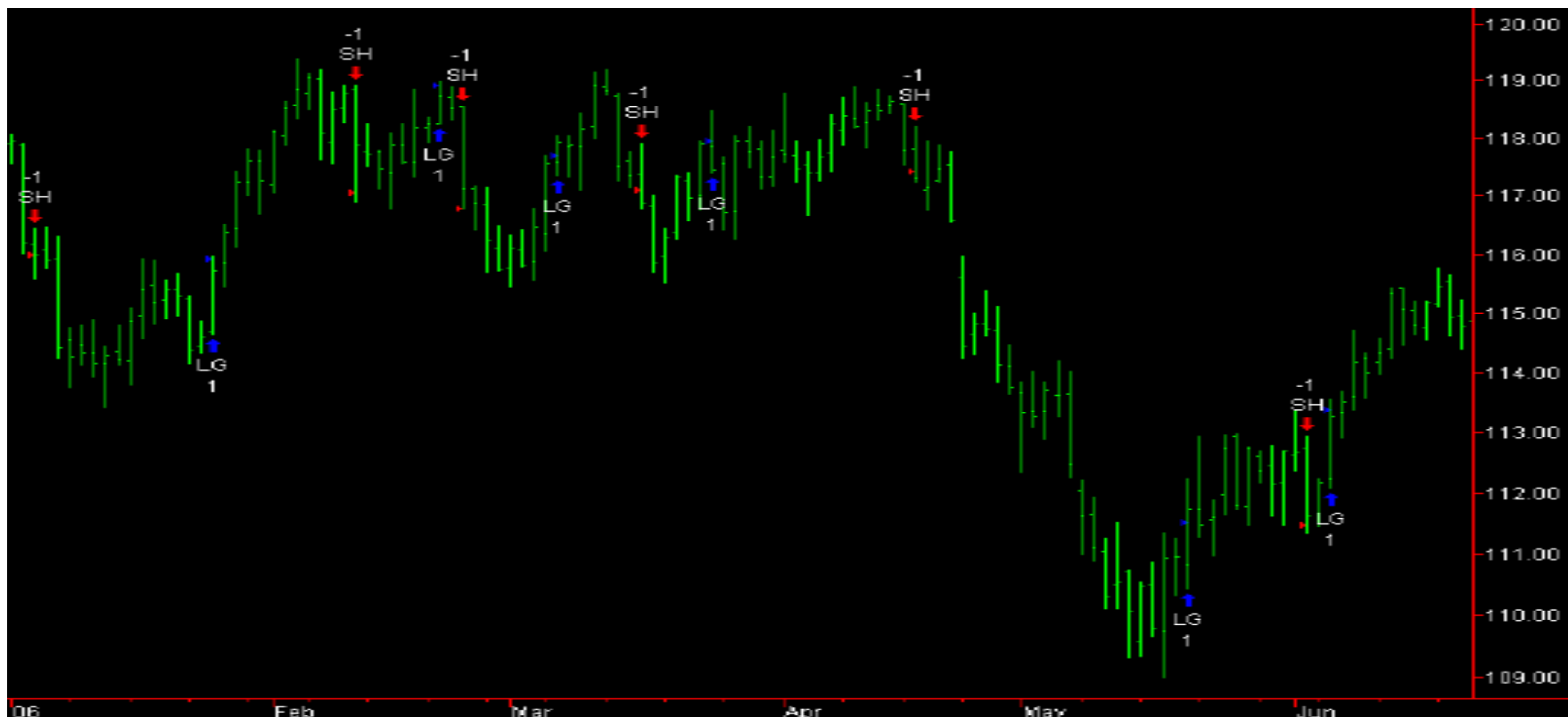
## Calculating Alpha for CTAs

- What is CTA beta?
- The N-day breakout strategy
  - Always in the market
  - If long, reverse into short at the N-day low
  - If short, reverse into long at the N-day high
- The following pages show the operation of the strategy on select markets



# USD/JPY 7-Day Breakout January – June 2006

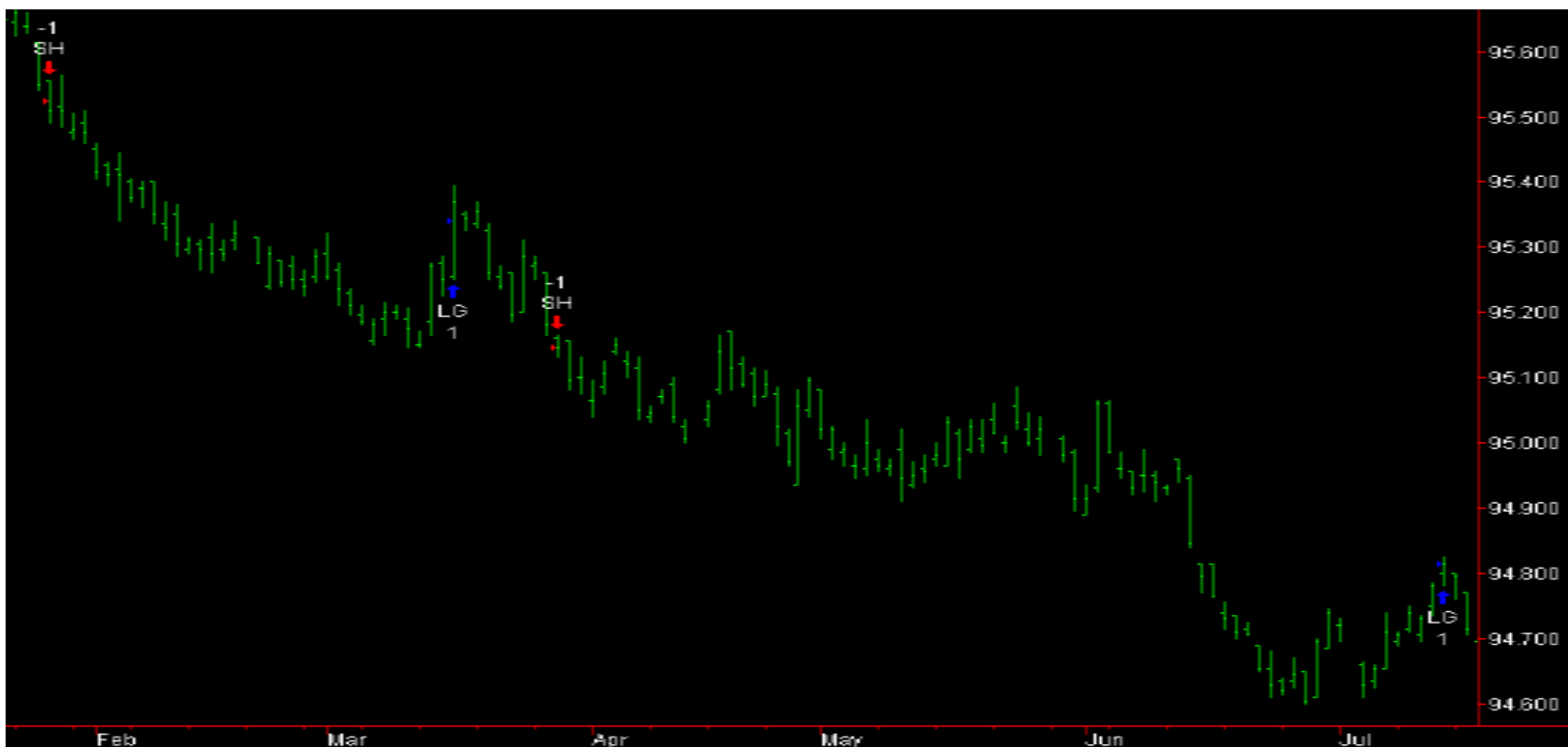
Goes long on new 7-day highs, goes short on new 7-day lows





## Eurodollar 19-Day Breakout February – July 2006

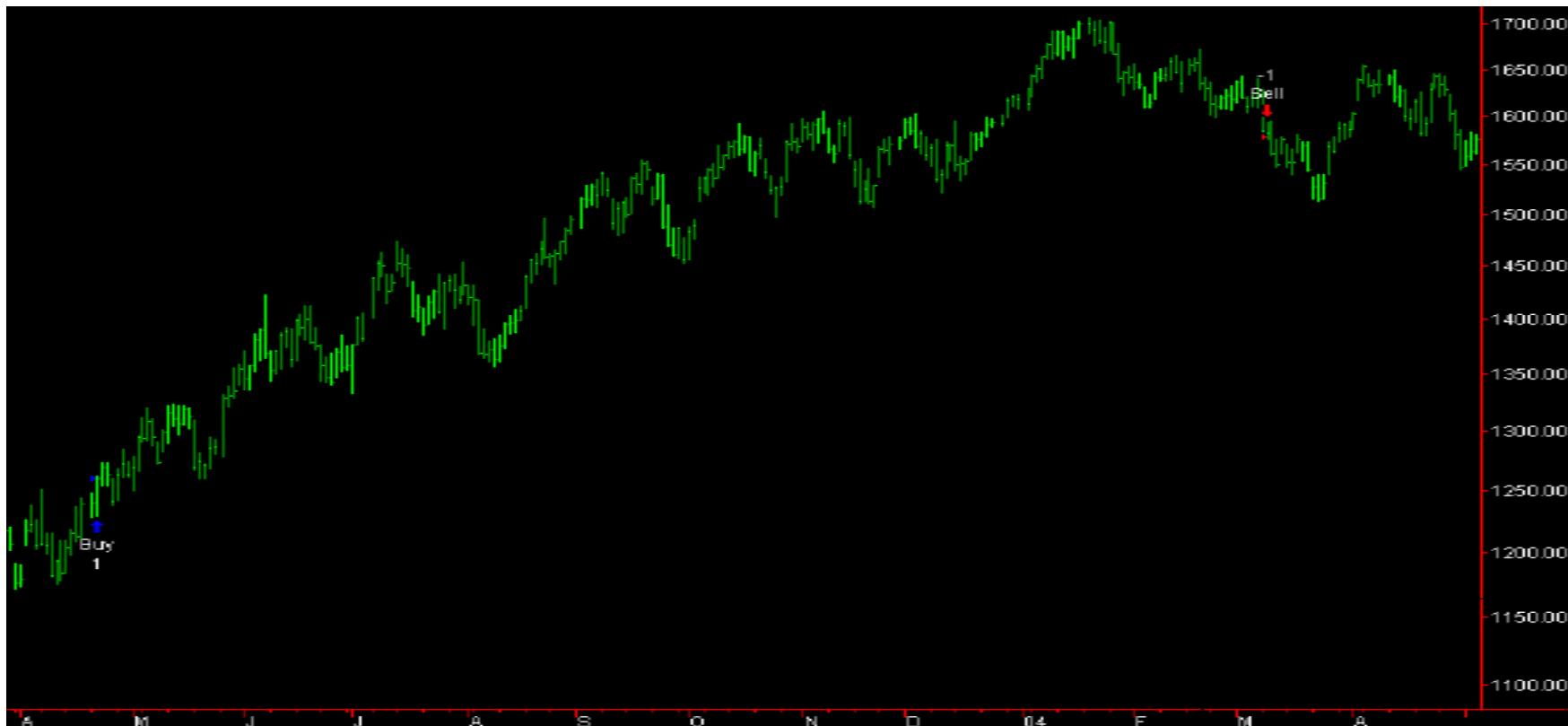
Goes long on new 19-day highs, goes short on new 19-day lows





## Nasdaq 51-Day Breakout April 2003 – May 2004

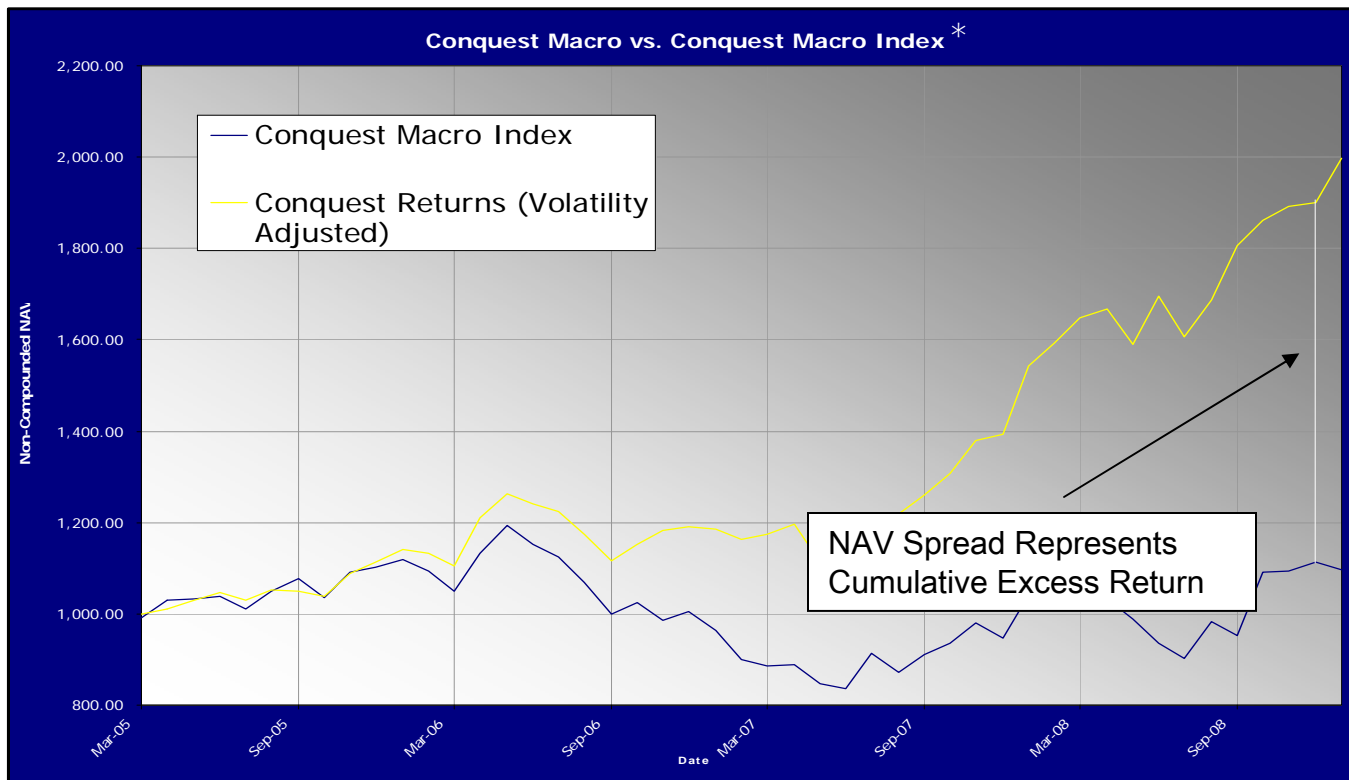
Goes long on new 51-day highs, goes short on new 51-day lows





# Isolating Alpha Using a Passive Strategy Index

In analyzing Conquest's returns, we attempt to separate them into Alpha and Beta. One of the tools that Conquest uses for this measurement is a program that takes a stream of returns and compares it to that of an index comprised of simple breakout strategies that buy at the nth-day high and sell at the nth-day low.



Our index exhibits a roughly 66% correlation to Conquest Macro returns with similar volatility.

This measure allows us to isolate Beta, the component of our returns that comes from our asset class, and Alpha, the excess returns that come from our strategy.

This analysis is particularly helpful in a drawdown, as it assists in measuring whether our drawdown is caused by adverse market conditions— i.e. those that would affect the passive strategy as well— **or whether the drawdown is caused by the way our models specifically attempt to generate excess return.**

Results presented are from March 2005 to January 2009.

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## Conquest Case Study: Ivy League Endowment

- Approached Conquest in early 2004
- Endowment seeking CTA exposure, but:
  - Thought of trend-following CTAs as an exotic beta strategy, not an alpha strategy
  - Therefore did not want to pay the typical 2/20% fee structure for beta
- In addition, the endowment was uncomfortable with the black box nature of CTAs



## The Ivy League Endowment Goals

- Ideally wanted just one product that:
  - Allowed it sufficient diversification
  - Took advantage of all the time frames
- Willing to fund up to \$50 million



## Building a CTA Beta Index from the Ground Up

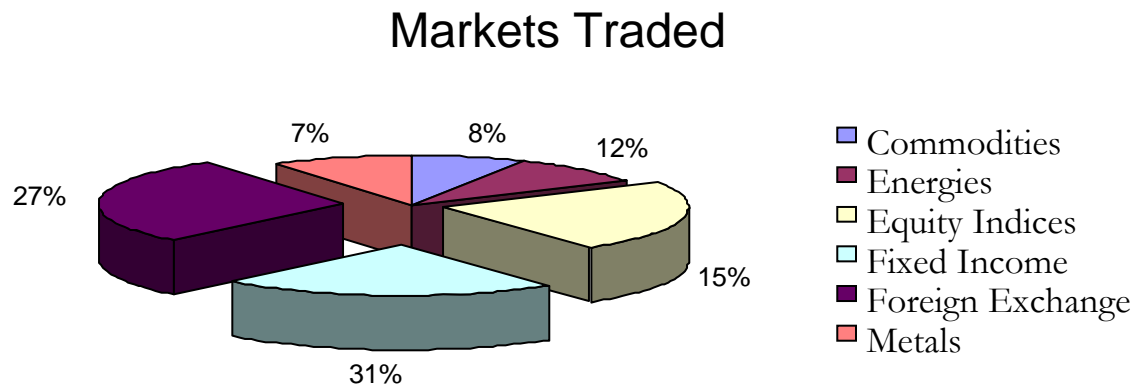
- What markets do we trade, and in what proportions?
- How many time frames do we trade?
- What fee structure do we apply?

## Conquest CTA Beta Index Composition

- Conquest CTA Beta utilizes the N-day benchmark models, ranging from 5 to 200 days
- Diversified across geographic regions: trades European, North American, and Asian markets
- Diversified across asset classes and markets: trades 55 markets across six sectors, covering foreign exchange, fixed income, equities, energies, metals, and agricultural commodities

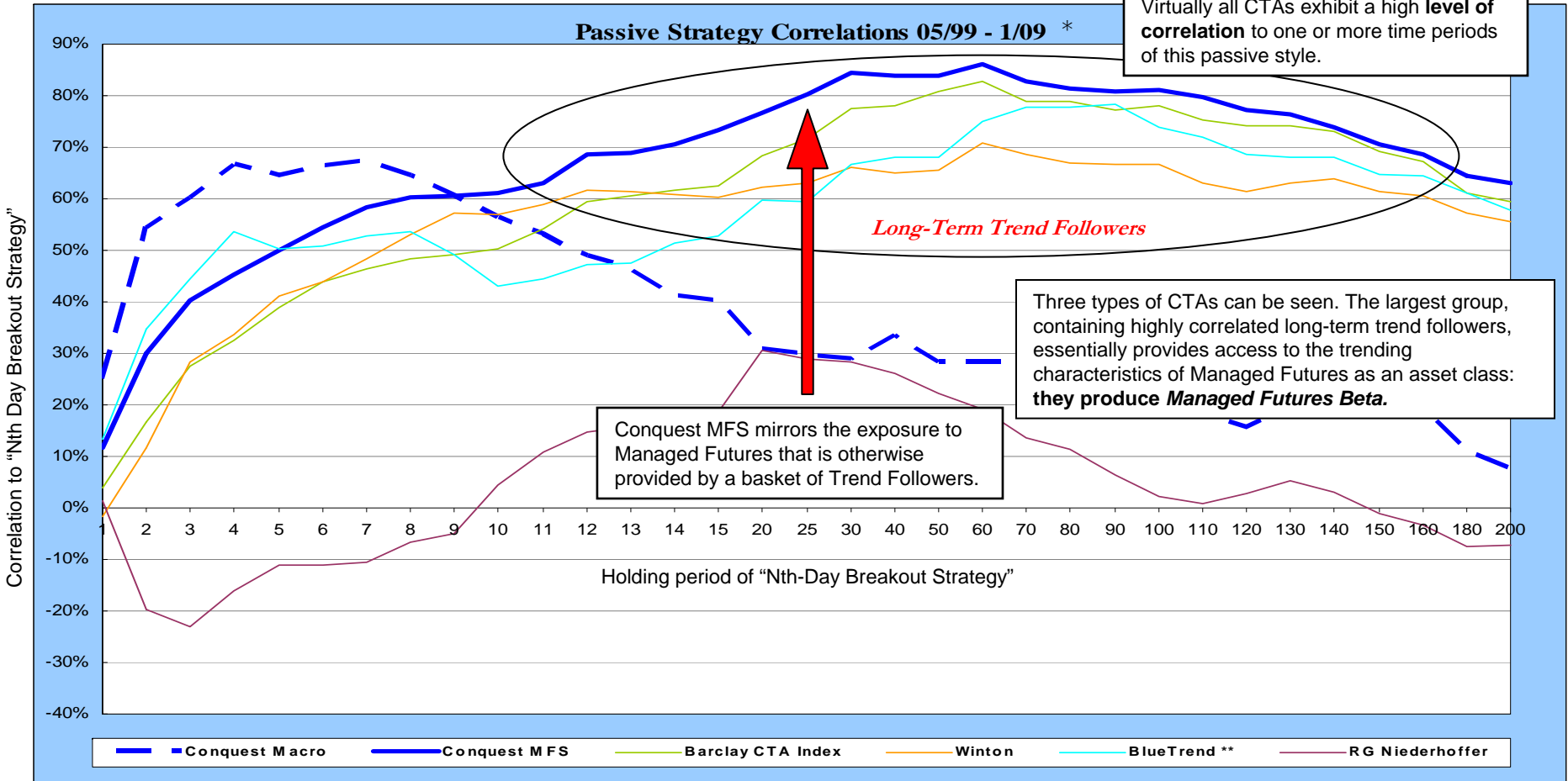
## Conquest Managed Futures Select (MFS)

- Conquest MFS implements and trades the N-day benchmark models:
  - Diversified across time frames: utilizing 20 different N-day models, ranging from 5 to 200 days
  - Diversified across geographic regions: trades European, North American, and Asian markets
  - Diversified across asset classes and markets: trades 55 markets across six sectors, covering foreign exchange, fixed income, equities, metals, and agricultural commodities



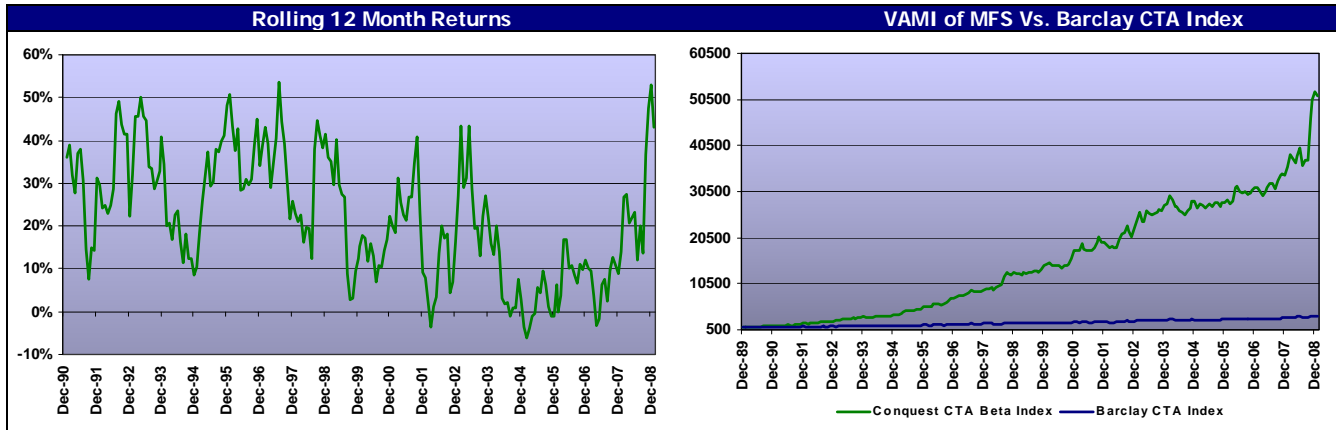
**Passive Strategy Correlations 05/99 - 1/09 \***

Virtually all CTAs exhibit a high level of correlation to one or more time periods of this passive style.



\* Conquest Macro results from inception to June 2001 represent the track record of Enterprise Asset Management, LLC. of which Marc Malek was co-principal. From January 1, 2006, full funding of all accounts is assumed and all accounts are assumed to earn the same fees (2% management fee and 20% incentive fee). Rate of return for October 2002 includes one account that began trading October 1, 2002. Because this account was not fully invested on October 1, 2002, the rate of return for this account differs from the existing accounts. If this account had been excluded from the rate of return calculation, the rate of return would have been (1.60)%. Results of Conquest MFS until May 2004 are hypothetical and actual thereafter, and are shown net of a 1% management fee. **Please see "Performance Information" on page 4 for important disclosures regarding the limitations of hypothetical returns and underlying assumptions.** PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. \*\* BlueTrend Fund LP returns available from inception of September 2004 to December 2008.

# Conquest CTA Beta Index



Monthly Performance (%) Net of Management Fees													
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Year
2009	(1.88)% (est)												(1.88)%
2008	4.94%	7.39%	(1.99)%	(2.63)%	3.70%	4.83%	(9.20)%	3.16%	(0.47)%	24.94%	8.44%	3.48%	52.87%
2007	0.40%	(3.57)%	(2.43)%	2.81%	2.63%	3.60%	0.03%	(3.75)%	5.00%	3.93%	0.60%	(0.22)%	8.94%
2006	2.28%	(3.08)%	2.84%	10.44%	0.82%	(4.00)%	(1.40)%	1.20%	(2.00)%	1.33%	2.25%	1.44%	12.04%
2005	(4.80)%	2.96%	(0.78)%	(1.98)%	0.67%	2.01%	(2.09)%	3.26%	(0.10)%	(2.77)%	3.46%	(0.67)%	(1.17)%
2004	1.49%	5.83%	(3.20)%	(4.87)%	0.23%	(4.02)%	(0.85)%	(1.57)%	3.09%	1.94%	5.89%	(0.49)%	2.82%
2003	6.81%	8.05%	(8.66)%	0.29%	10.65%	(2.64)%	(1.28)%	1.17%	1.84%	(0.70)%	4.06%		21.81%
2002	(2.31)%	(4.16)%	1.54%	(1.47)%	1.39%	8.38%	6.45%	1.52%	7.14%	(6.02)%	(4.34)%	8.59%	16.34%
2001	(1.04)%	1.13%	7.78%	(6.12)%	(0.82)%	(1.43)%	0.90%	3.96%	6.31%	6.18%	(6.67)%	(0.07)%	9.32%
2000	0.79%	2.42%	(2.71)%	(1.86)%	1.67%	(0.37)%	(3.51)%	4.05%	(0.09)%	1.60%	7.08%	12.24%	22.28%
1999	(1.68)%	0.13%	(2.14)%	2.99%	(2.21)%	2.15%	2.10%	0.60%	0.03%	(1.77)%	4.71%	7.27%	12.36%
1998	2.28%	0.74%	1.94%	(4.77)%	5.81%	3.96%	2.69%	17.12%	5.97%	(2.29)%	(1.29)%	4.57%	41.43%
1997	4.75%	2.13%	0.65%	0.42%	2.71%	4.22%	9.10%	(4.56)%	1.06%	0.13%	0.90%	2.18%	25.73%
1996	1.26%	(0.88)%	3.47%	8.38%	(1.60)%	(0.08)%	(0.34)%	1.61%	4.79%	7.09%	8.09%	(1.24)%	34.26%
1995	(0.32)%	4.10%	7.88%	4.39%	9.46%	(0.23)%	(2.22)%	2.63%	3.90%	0.91%	3.61%	6.57%	48.28%
1994	(2.21)%	(2.89)%	1.52%	(0.12)%	4.97%	5.73%	(2.86)%	(3.02)%	4.23%	(0.82)%	2.66%	1.45%	8.39%
1993	2.58%	8.74%	0.83%	3.11%	0.06%	4.88%	3.34%	1.19%	(1.68)%	4.38%	2.68%	5.08%	40.90%
1992	(4.69)%	(1.55)%	0.71%	0.11%	3.19%	5.39%	11.95%	1.34%	2.06%	2.83%	0.93%	(0.99)%	22.43%
1991	(3.43)%	2.61%	0.32%	1.55%	1.82%	2.19%	(1.67)%	(0.42)%	5.93%	4.45%	0.74%	14.51%	31.27%
1990	5.66%	0.53%	5.61%	5.00%	(5.12)%	1.52%	3.89%	13.44%	12.65%	(1.98)%	1.16%	(0.28)%	48.94%

There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.



# Conquest CTA Beta Index

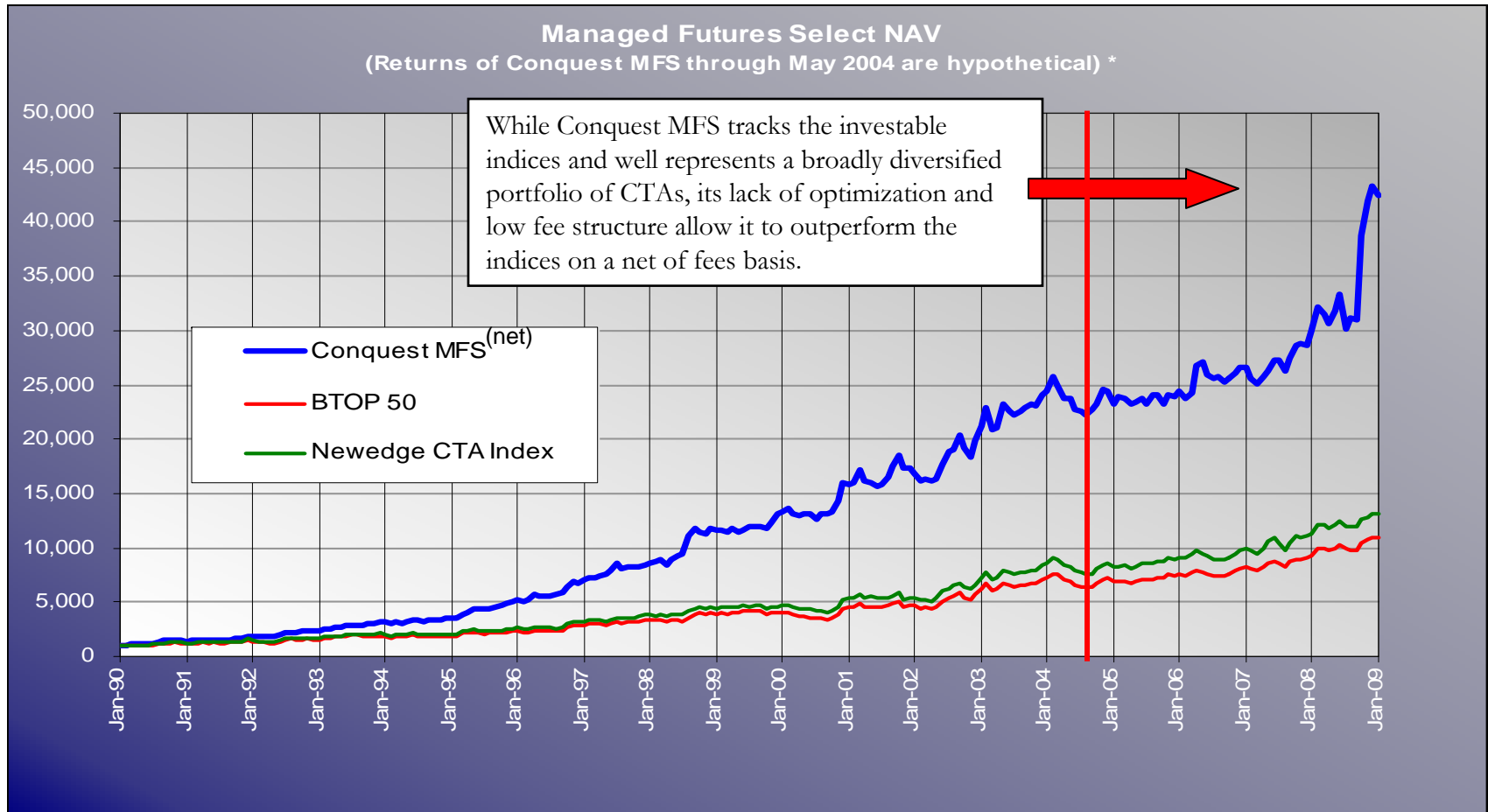
## Statistical Analysis

	Conquest CTA Beta Index	Barclay CTA Index	Lehman Aggregate Index	S&P 500
<b>Return</b>				
Compounded Annual Return	22.91%	6.78%	6.99%	6.80%
Cumulative Return (since inception)	5,025.50%	249.41%	263.36%	250.66%
Largest Monthly Return	24.94%	10.03%	3.87%	11.44%
Largest Monthly Loss	(9.20)%	(5.49)%	(3.36)%	(16.79)%
% Of Positive Months	65.94%	56.33%	69.00%	62.88%
<b>Risk</b>				
Sharpe Ratio (3.25%)	1.30	0.41	0.95	0.24
Standard Deviation	15.08%	8.57%	3.95%	14.69%
Sortino Ratio (3.25%)	3.01	0.69	1.59	0.34
Upside Deviation	15.14%	7.47%	3.96%	10.81%
Downside Deviation	6.10%	4.61%	1.94%	10.14%
Maximum Drawdown	(13.55)%	(10.10)%	(5.15)%	(45.10)%
Return/Maximum Drawdown	1.69	0.67	1.36	0.15
Months In Maximum Drawdown	25	7	12	15
Months To Recover	20	3	8	N/A
<b>Comparison To Benchmarks</b>				
Beta		1.397	0.741	(0.249)
Correlation		0.796	0.200	(0.234)

Nearly 80% correlated to the Barclay CTA Index

	Conquest CTA Beta Index	Barclay CTA Index	Lehman Aggregate Index	S&P 500
<b>Annual Returns</b>				
2009	(1.88)%	(0.13)%	(0.88)%	(8.43)%
2008	52.87%	13.41%	5.24%	(37.00)%
2007	8.94%	7.64%	6.98%	5.50%
2006	12.04%	3.54%	4.47%	15.80%
2005	(1.17)%	1.71%	2.43%	4.91%
<b>Latest Returns</b>				
Last Month	(1.88)%	(0.13)%	(0.88)%	(8.43)%
3 Months	10.11%	1.94%	6.16%	(14.09)%
6 Months	41.27%	5.85%	3.24%	(33.95)%
12 Months	42.94%	11.18%	1.63%	(38.63)%
18 Months	58.18%	20.47%	10.10%	(41.28)%
24 Months	62.77%	20.73%	11.64%	(40.05)%
36 Months	79.01%	24.63%	16.57%	(31.34)%
<b>Drawdown Analysis</b>				
1	(13.55)%	(10.10)%	(5.15)%	(45.10)%
2	(12.68)%	(9.50)%	(4.40)%	(44.73)%
3	(10.10)%	(7.74)%	(3.55)%	(15.37)%
4	(9.20)%	(6.74)%	(3.17)%	(14.69)%

## Conquest MFS vs. Investable Indices



Volatilities are adjusted to match that of Conquest Managed Futures Select.

\* Returns of Conquest MFS through May 2004 are hypothetical and actual thereafter. **Please see "Performance Information" on page 4 for important disclosures regarding the limitations of hypothetical returns and underlying assumptions.**  
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## Comparing the Conquest CTA Beta Index to Select Managers, Stripped of Fees Through January 2009

<b>Manager</b>	<b>Start Date</b>	<b>Actual ROR</b>	<b>Actual Volatility</b>	<b>ROR Without Fees</b>	<b>Volatility Without Fees</b>	<b>CCBI ROR with Equalized Volatility</b>
<b>BTop50</b>	Jan-90	8.65%	9.66%	13.07%	10.90%	16.36%
<b>Campbell</b>	Jan-90	11.53%	16.51%	16.99%	18.48%	28.35%
<b>Chesapeake</b>	Jan-90	12.64%	17.66%	18.28%	19.38%	29.80%
<b>Graham</b>	Jan-99	16.47%	20.66%	23.12%	22.79%	21.80%
<b>Aspect</b>	Dec-98	12.54%	17.31%	18.02%	19.07%	18.86%
<b>Winton</b>	Oct-97	19.30%	19.62%	26.81%	22.10%	24.44%

Results presented are from the indicated date to January 2009.

There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.

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## Conquest CTA Beta Index Outperforms in Periods of Stress

Selected Notable Periods of Stress	S&P 500	Conquest CTA Beta Index	CS/Tremont Hedge Fund Index	CS/Tremont Managed Futures Index
<b>Returns for:</b>				
DotCom Crash (Oct-Nov 2000)	(8.31%)	8.68%	(2.64%)	7.44%
September 11 (Sep 2001)	(8.08%)	6.31%	(0.83%)	3.65%
Accounting Scandals (Jun-Jul 2002)	(14.92%)	14.83%	(2.19%)	14.75%
GM Downgrade (Apr 2005)	(1.90%)	(1.98%)	(1.04%)	(3.45%)
Inflation & Oil Fears (October 2005)	(1.67%)	(2.77%)	(1.46%)	(1.97%)
Fed Fears (Apr-May 2006)	(1.54%)	11.27%	0.92%	0.22%
Subprime Credit Crunch (Jun 2007-Jan 2009)	(54.39%)	53.97%	(15.34%)	19.25%
<b>Total</b>	<b>(90.79%)</b>	<b>90.31%</b>	<b>(22.58%)</b>	<b>39.89%</b>

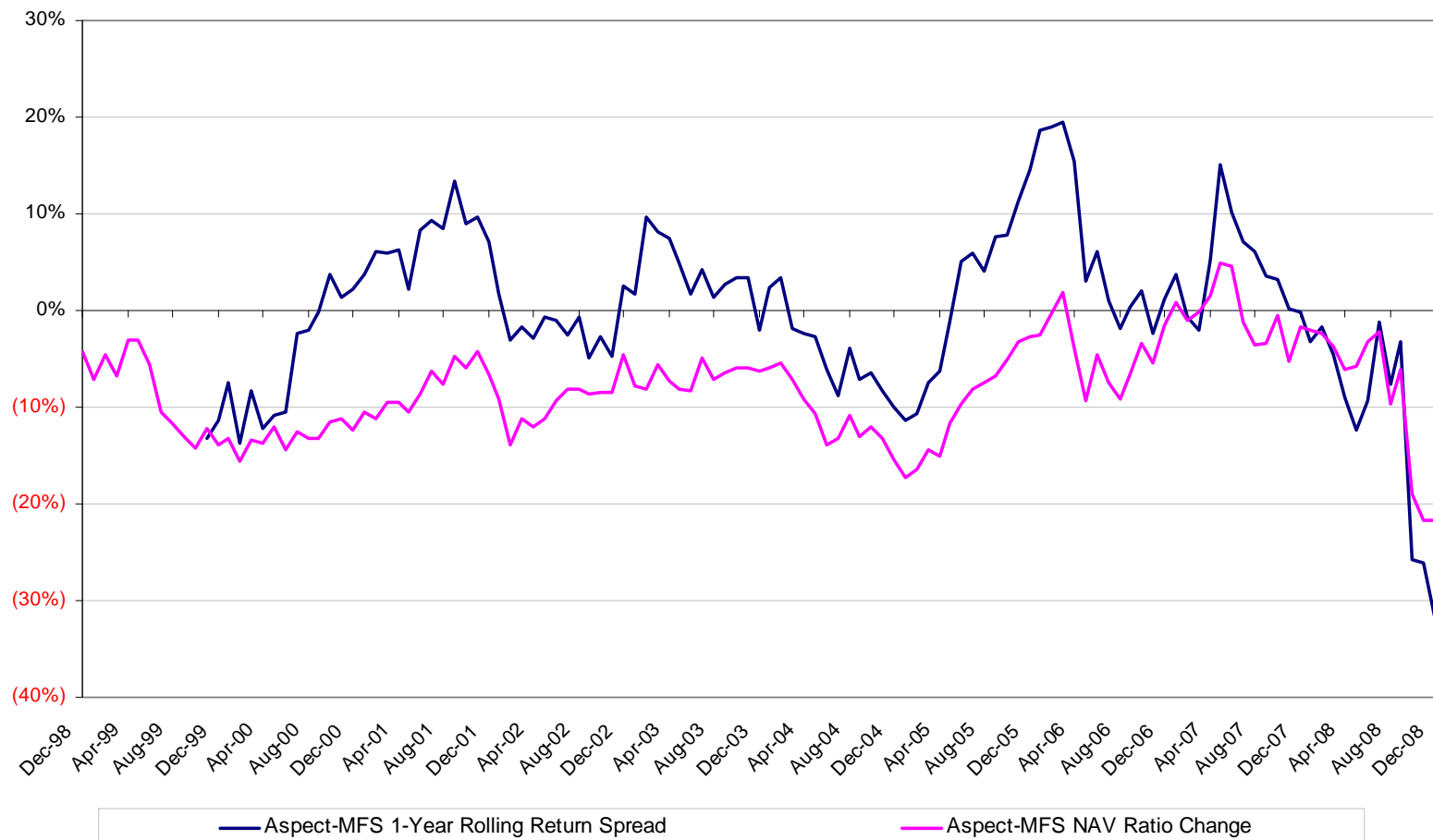
## Conquest CTA Beta Index Outperforms in Periods of Stress

- Performance during S&P 500's worst months from January 1997 – January 2009

Worst Months for S&P 500	S&P 500	Conquest CTA Beta Index	CS/Tremont Hedge Fund Index	CS/Tremont Managed Futures Index
<b>Returns for:</b>				
October 2008	(16.79%)	24.94%	(6.30%)	4.96%
August 1998	(14.46%)	17.12%	(7.55%)	9.95%
September 2002	(10.87%)	7.14%	0.08%	4.11%
February 2001	(9.12%)	1.13%	(0.59%)	0.15%
September 2008	(8.91%)	(0.47%)	(6.55%)	(0.57%)
June 2008	(8.43%)	4.83%	0.00%	4.79%
January 2009	(8.43%)	(1.88%)	0.80%	(0.53%)
September 2001	(8.08%)	6.31%	(0.83%)	3.65%
November 2000	(7.88%)	7.08%	(1.55%)	6.68%
July 2002	(7.79%)	6.45%	(1.35%)	6.12%
<b>Total</b>	<b>(100.76%)</b>	<b>72.66%</b>	<b>(23.84%)</b>	<b>39.31%</b>

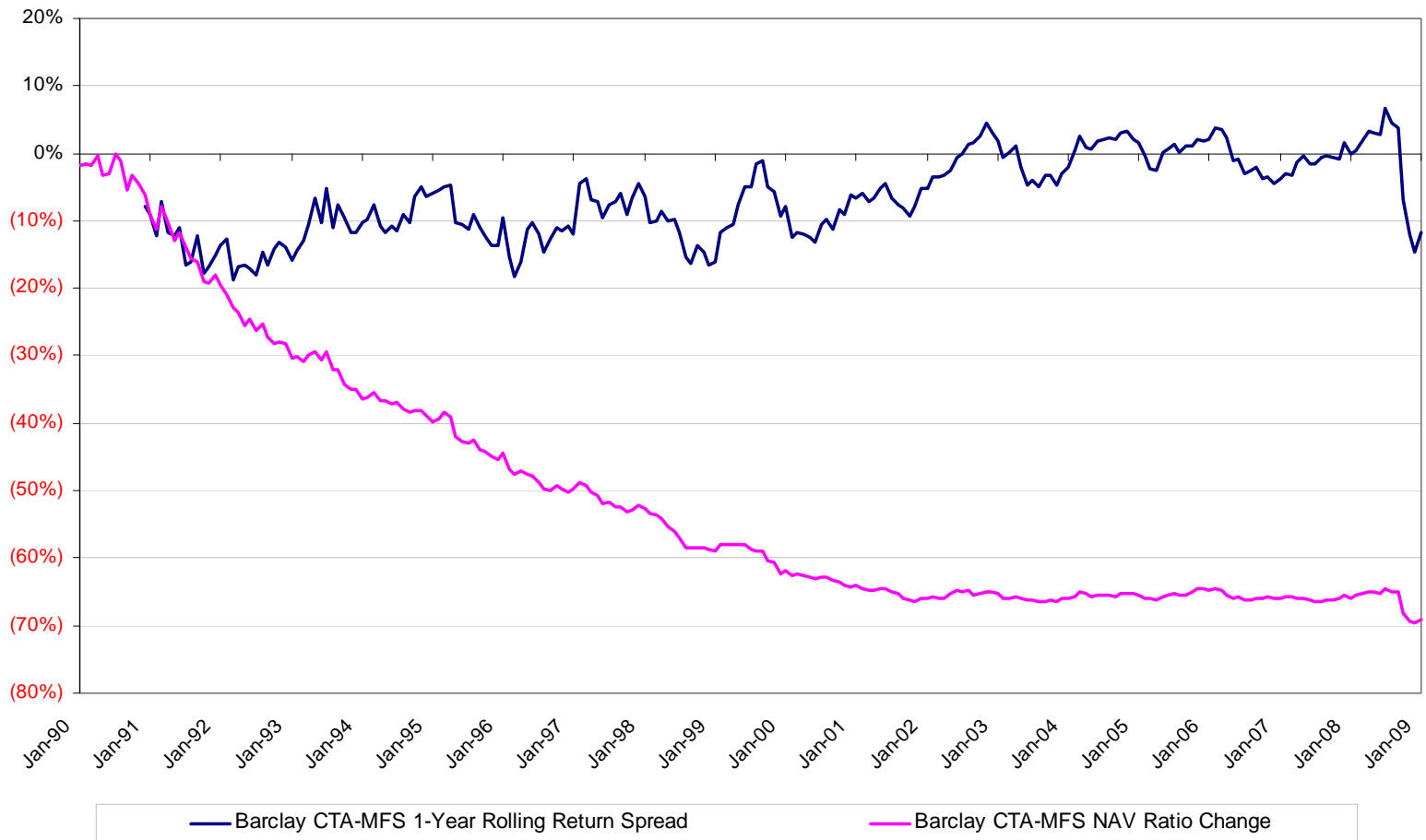


**Aspect-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.10)**  
**Last Month = 01/09, Last YOY Spread = -26.00%, NAV Ratio Change = -19.52%**  
**Aspect product is Aspect Diversified**



There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
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**Barclay CTA-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 0.57)**  
**Last Month = 01/09, Last YOY Spread = -11.53%, NAV Ratio Change = -69.10%**  
**Barclay CTA product is Barclay CTA Index**



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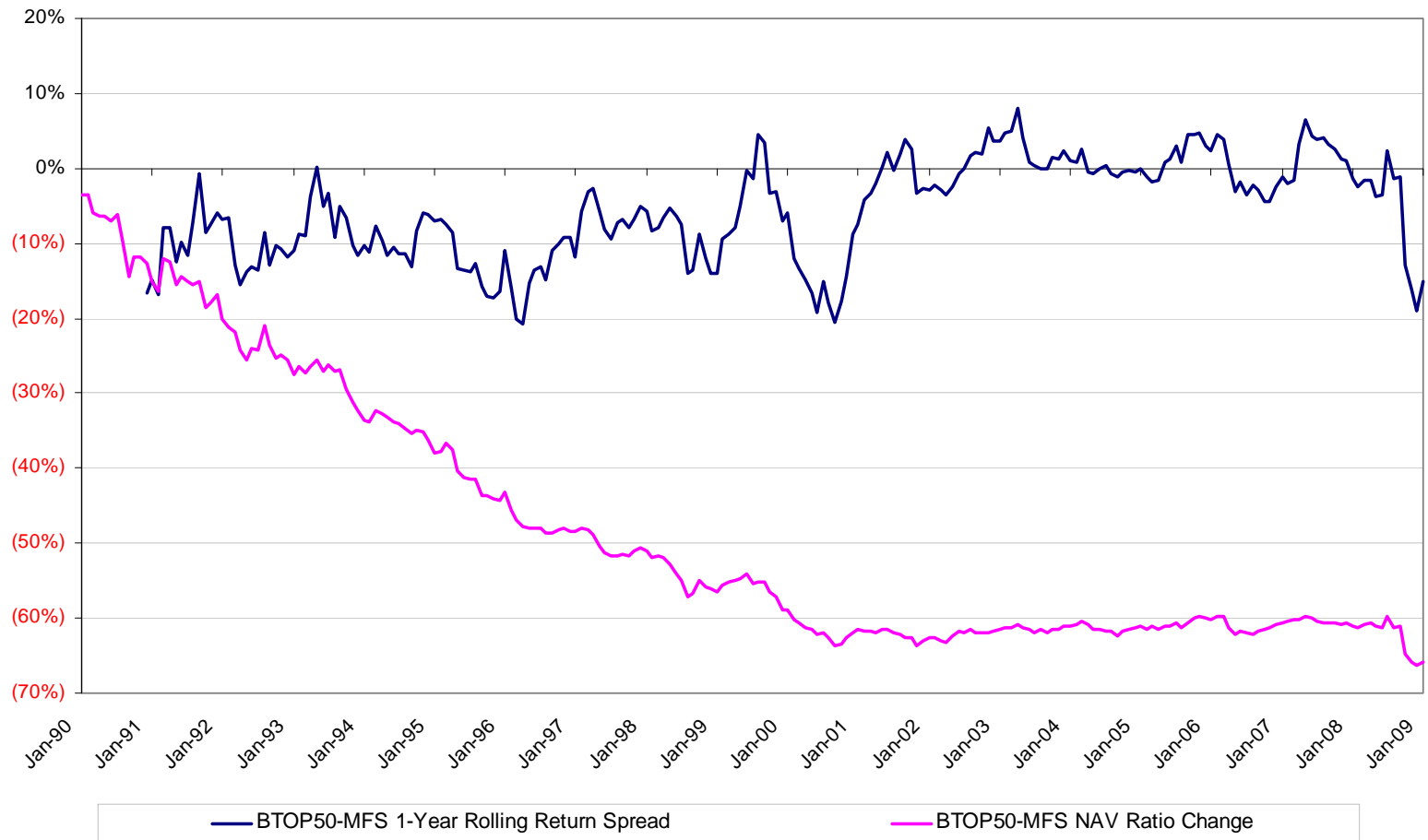
**BlueTrend-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 0.87)**  
**Last Month = 12/08, Last YOY Spread = 0.03%, NAV Ratio Change = 41.27%**  
**BlueTrend product is BlueTrend LP**



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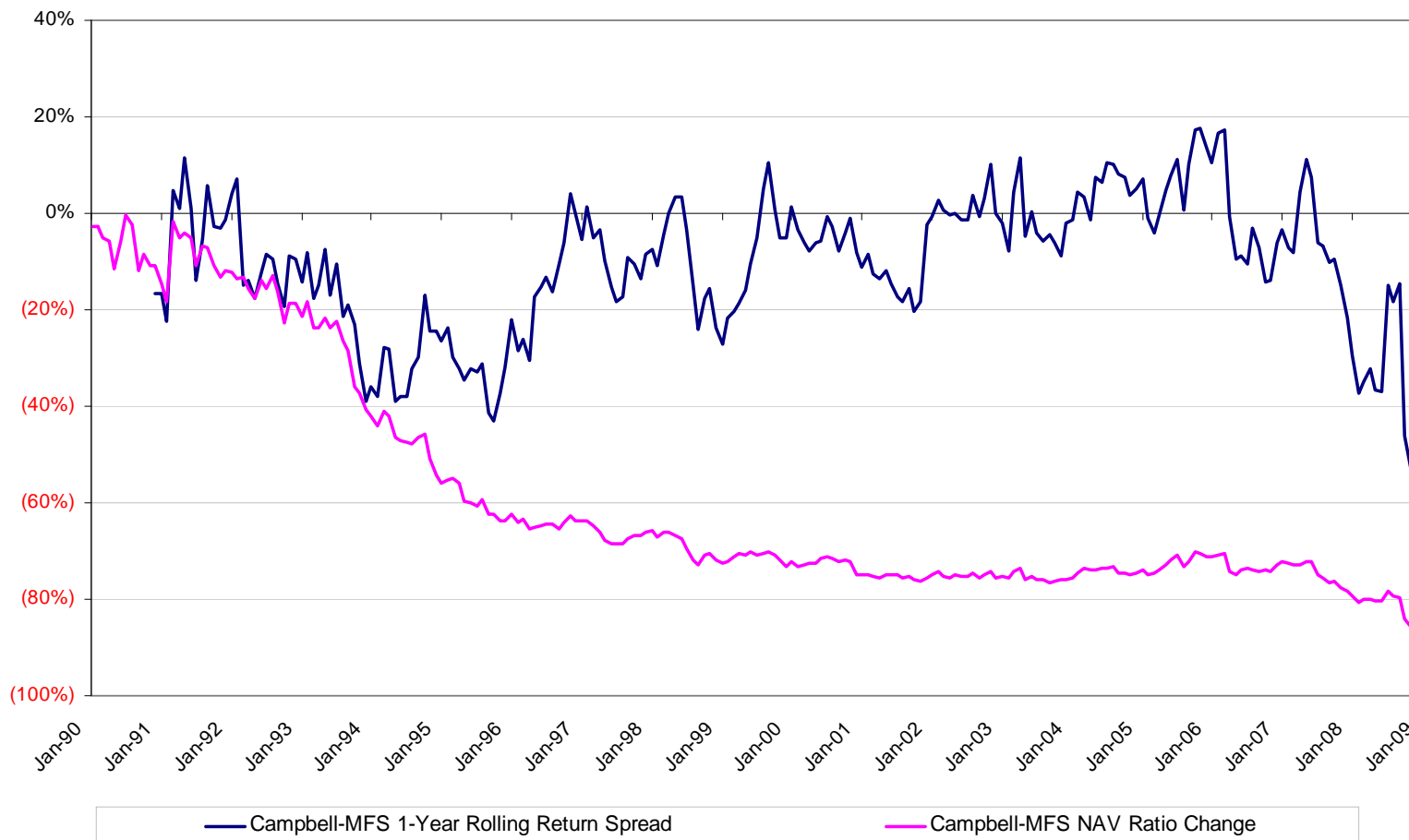
**BTOP50-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 0.64)**  
**Last Month = 01/09, Last YOY Spread = -15.11%, NAV Ratio Change = -65.82%**  
**BTOP50 product is BTOP50 Index**



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**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

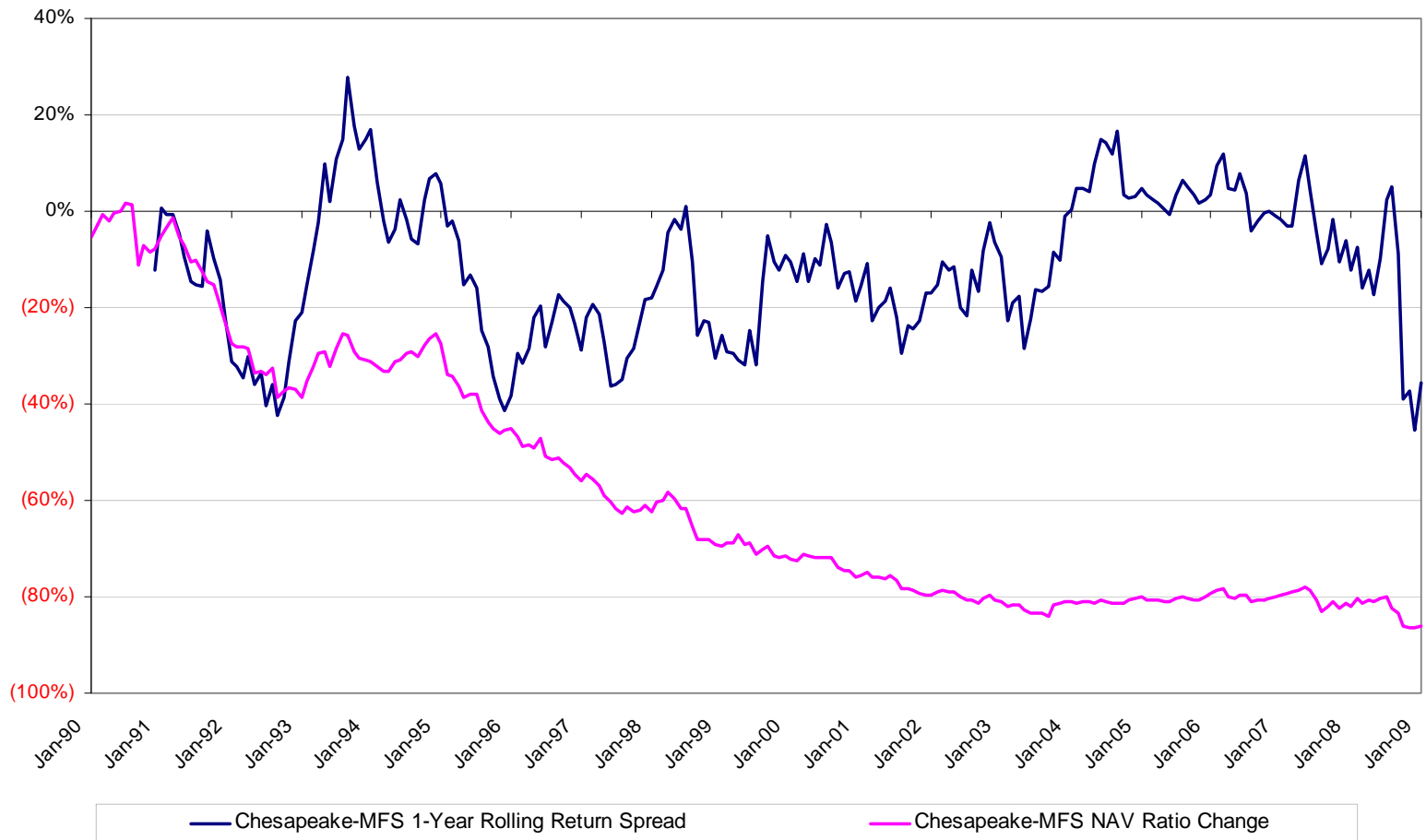


**Campbell-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.10)**  
**Last Month = 01/09, Last YOY Spread = -44.93%, NAV Ratio Change = -85.73%**  
**Campbell product is Campbell Financial Metal & Energies**



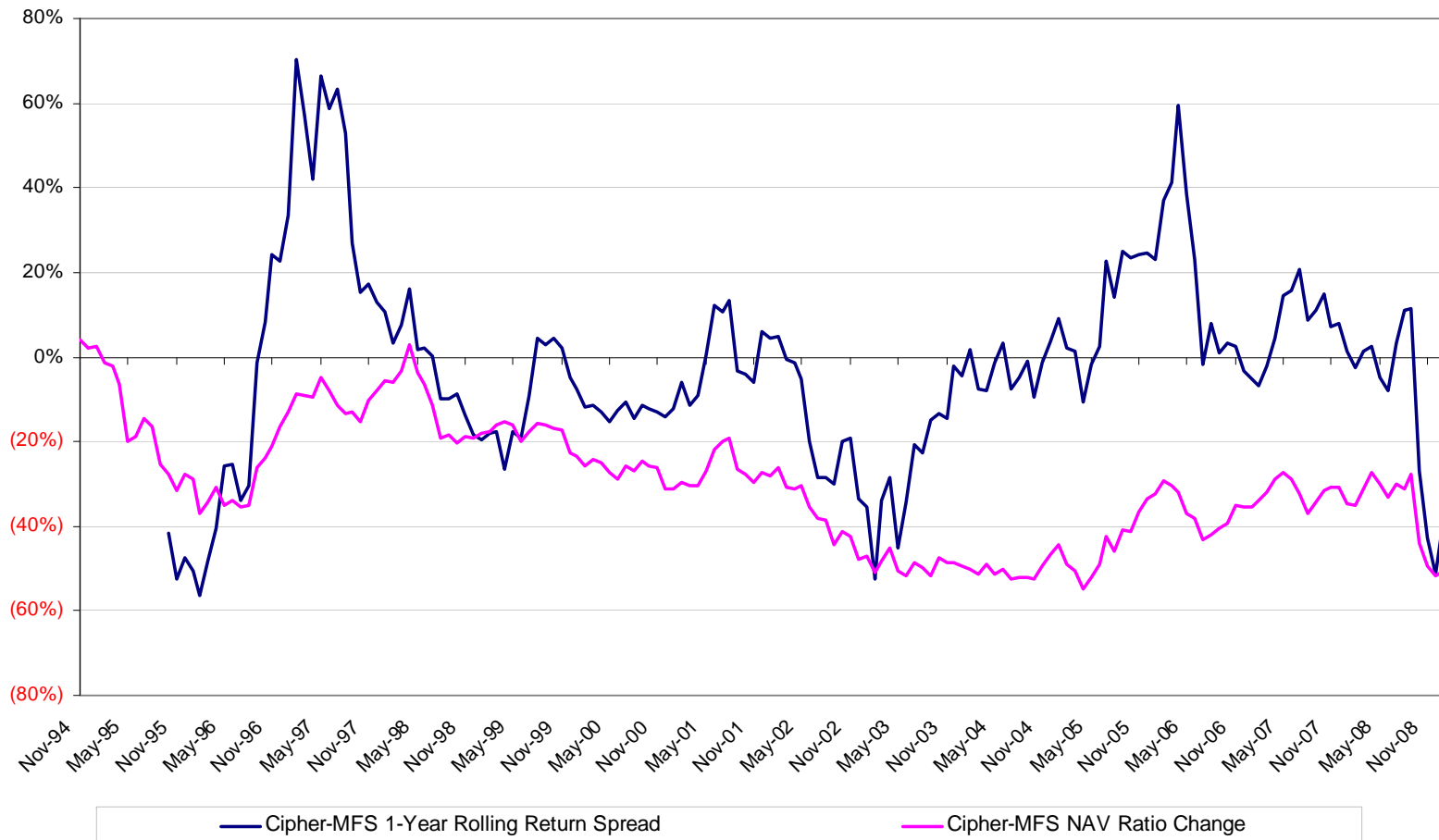
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

**Chesapeake-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.17)**  
**Last Month = 01/09, Last YOY Spread = -35.49%, NAV Ratio Change = -86.19%**  
**Chesapeake product is Chesapeake Capital Diversified**



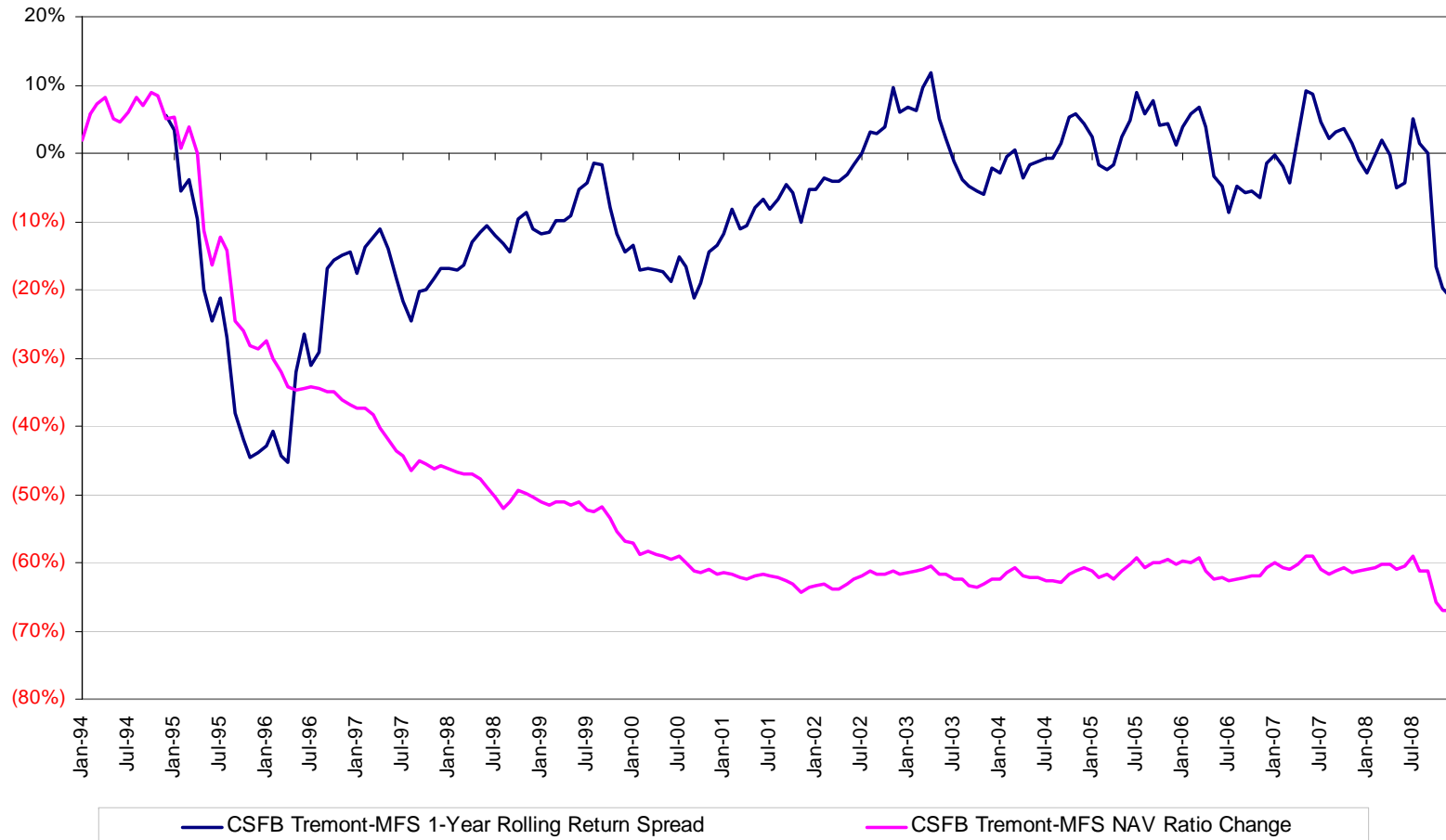
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

**Cipher-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.30)**  
**Last Month = 01/09, Last YOY Spread = -37.87%, NAV Ratio Change = -50.70%**  
**Cipher product is Cipher Diversified**



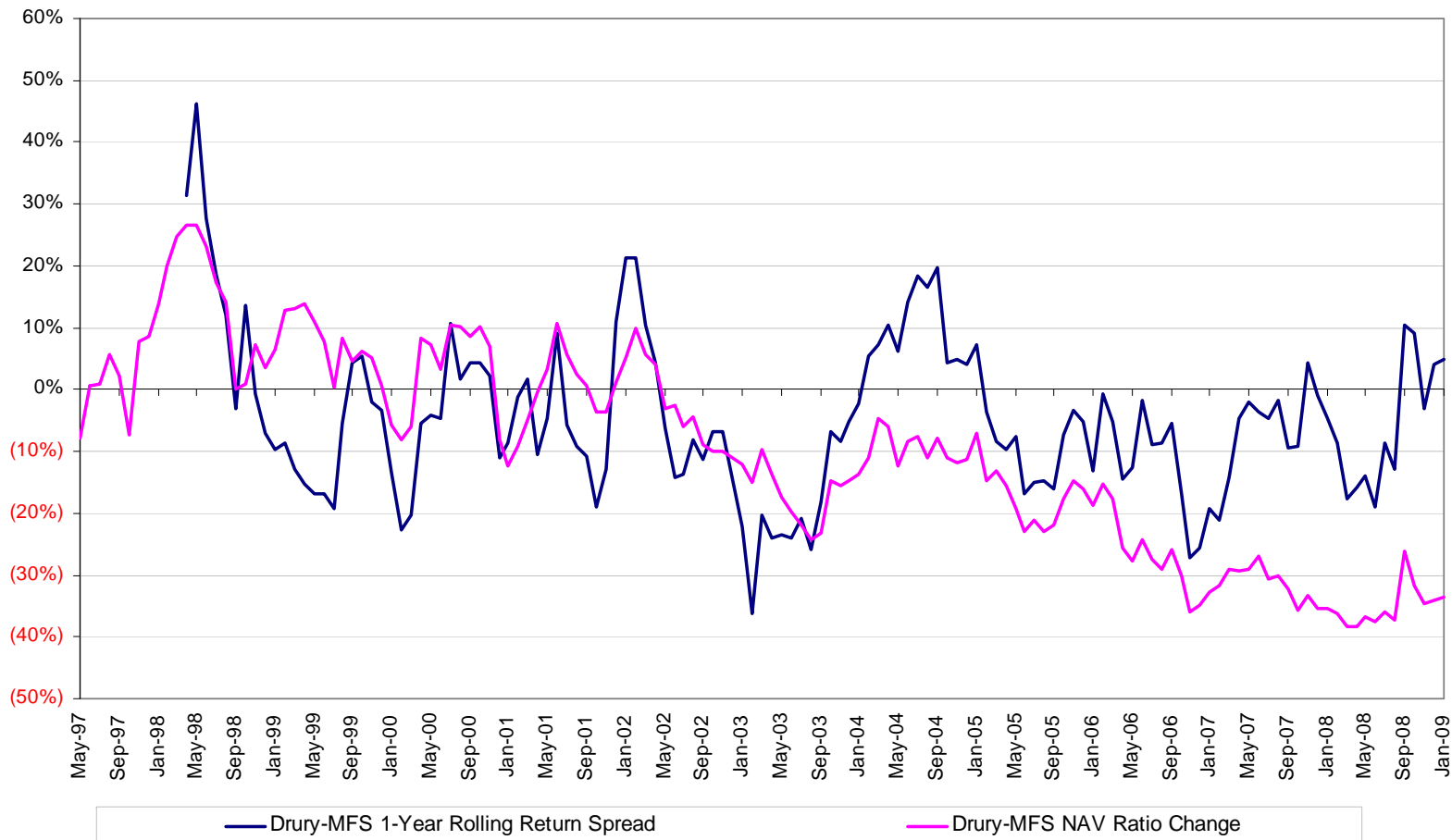
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

**CSFB Tremont-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 0.79)**  
**Last Month = 12/08, Last YOY Spread = -21.28%, NAV Ratio Change = -67.06%**  
**CSFB Tremont product is CSFB Tremont Managed Futures Index**



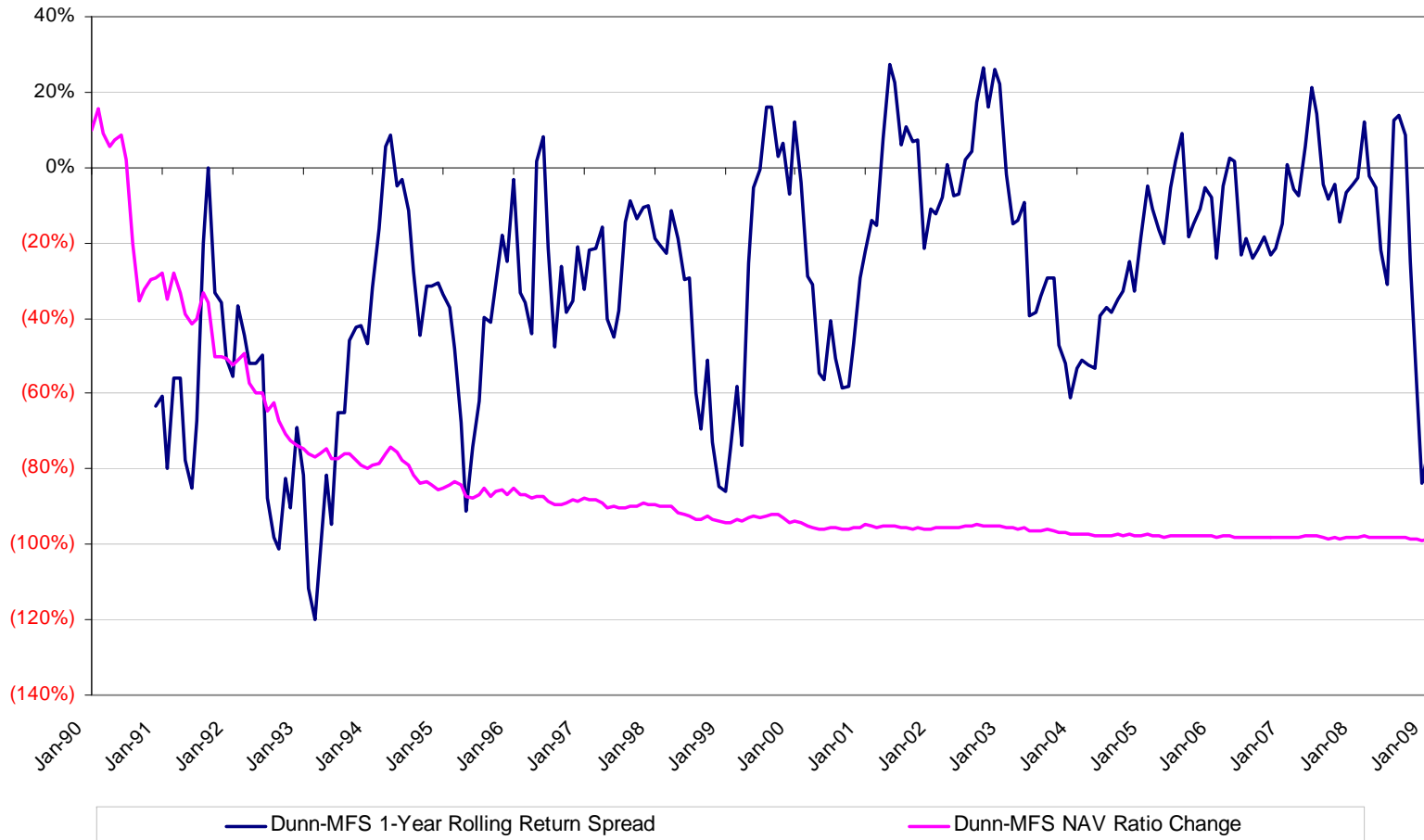
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Drury-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.35)**  
**Last Month = 01/09, Last YOY Spread = 4.83%, NAV Ratio Change = -33.48%**  
**Drury product is Drury Diversified**



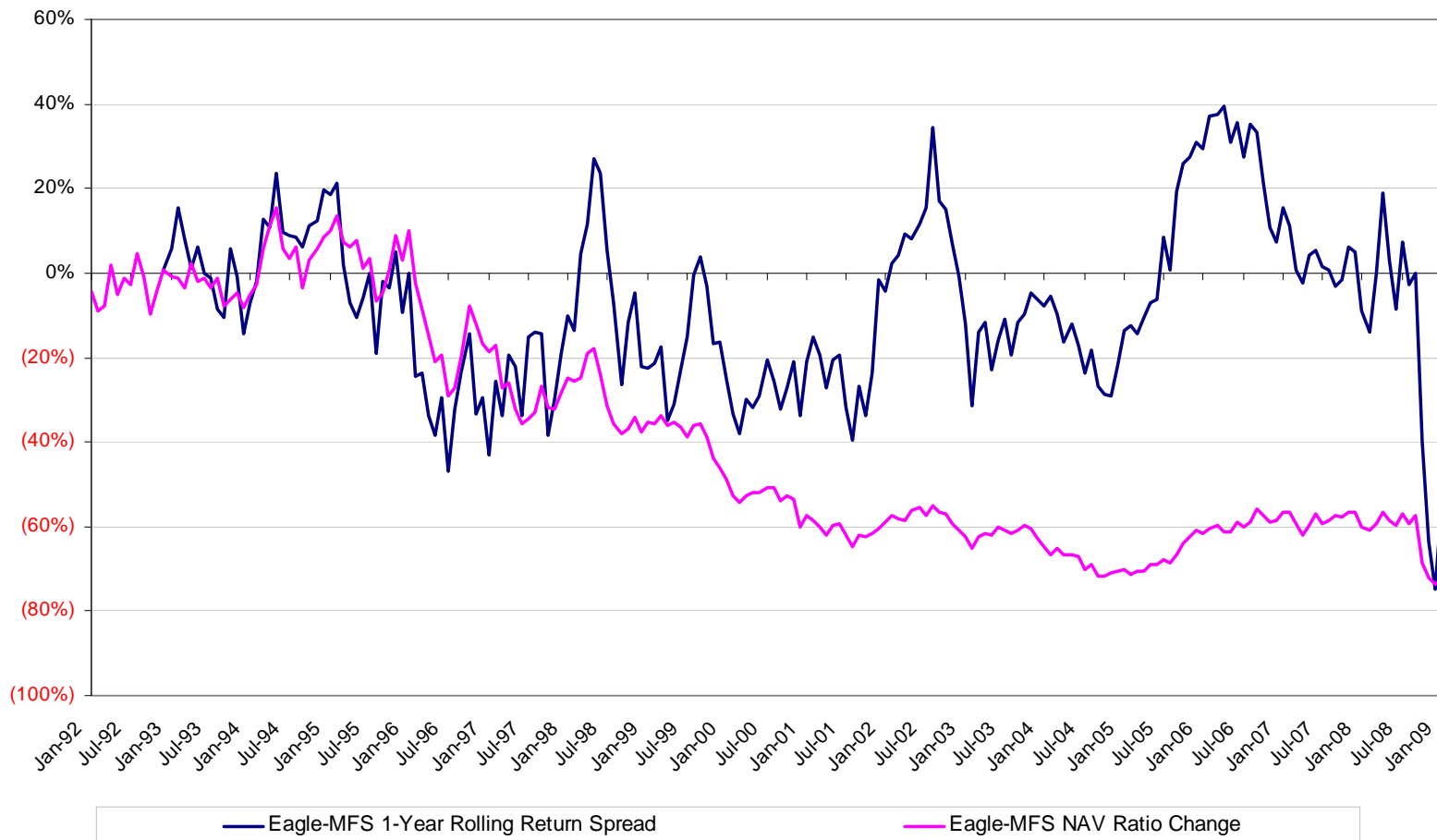
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Dunn-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 2.33)**  
**Last Month = 01/09, Last YOY Spread = -74.80%, NAV Ratio Change = -98.78%**  
**Dunn product is Dunn WMA**



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**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

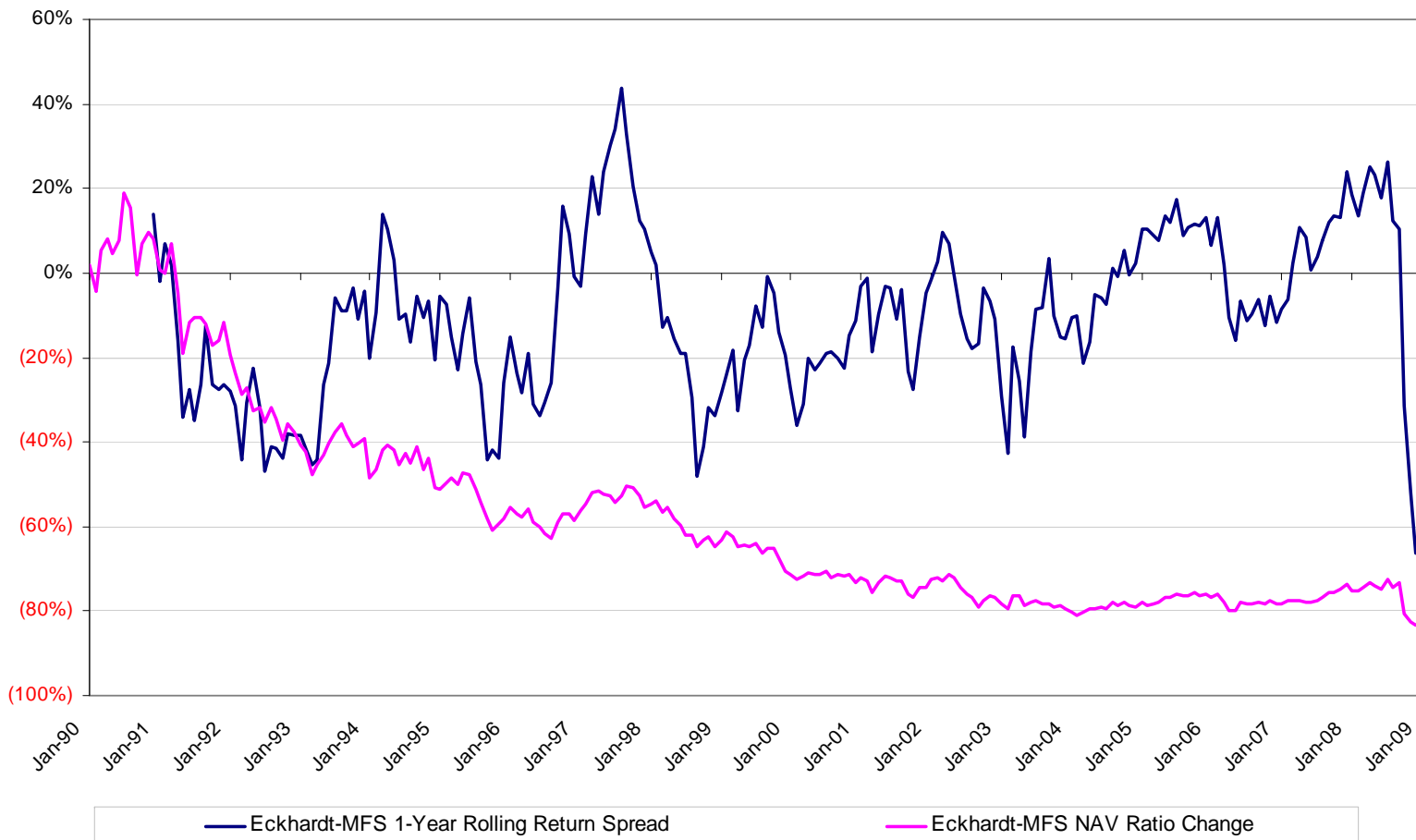
**Eagle-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.67)**  
**Last Month = 01/09, Last YOY Spread = -53.43%, NAV Ratio Change = -72.40%**  
**Eagle product is Eagle Global**



There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

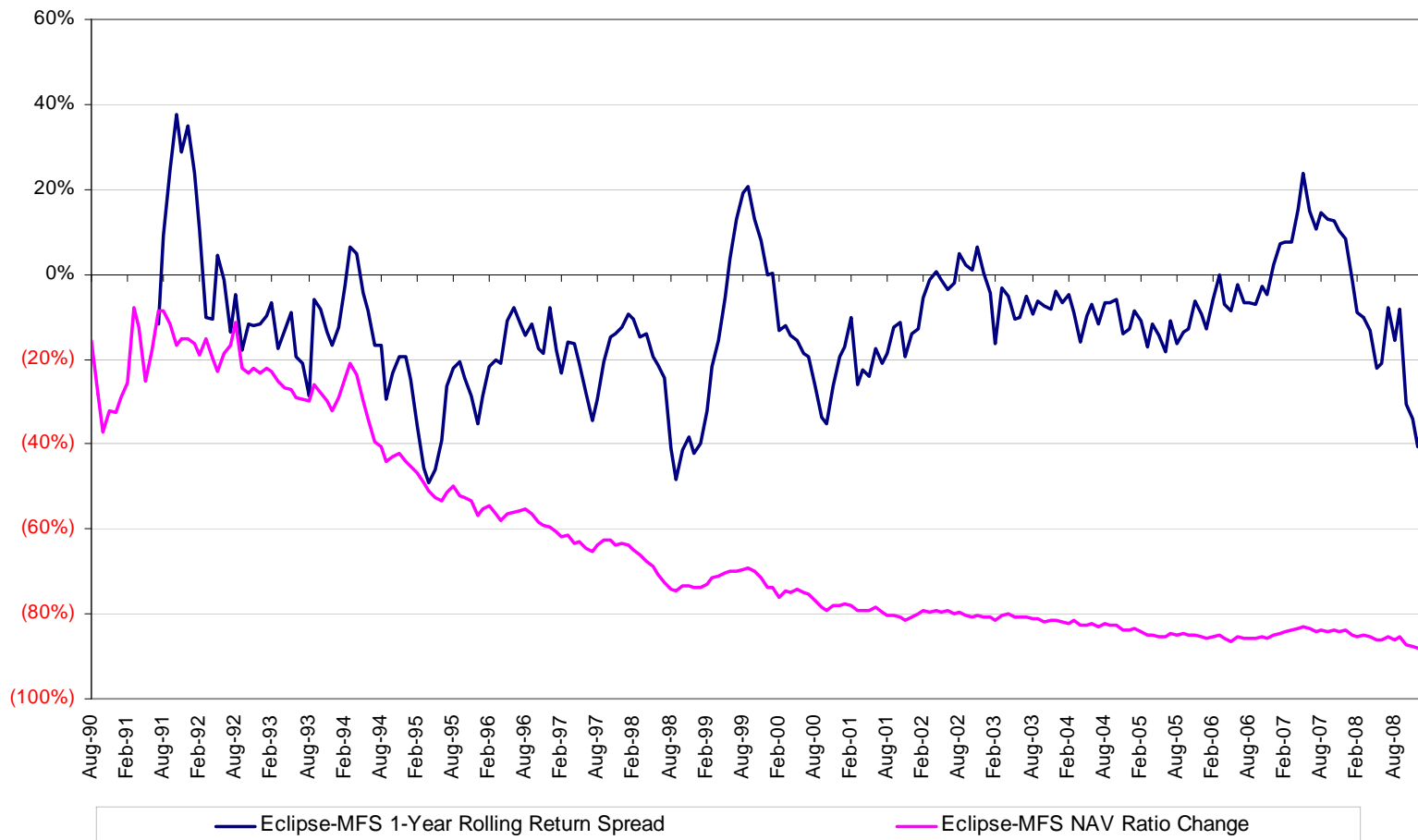


**Eckhardt-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.49)**  
**Last Month = 01/09, Last YOY Spread = -53.02% , NAV Ratio Change = -83.15%**  
**Eckhardt product is Eckhardt Standard**



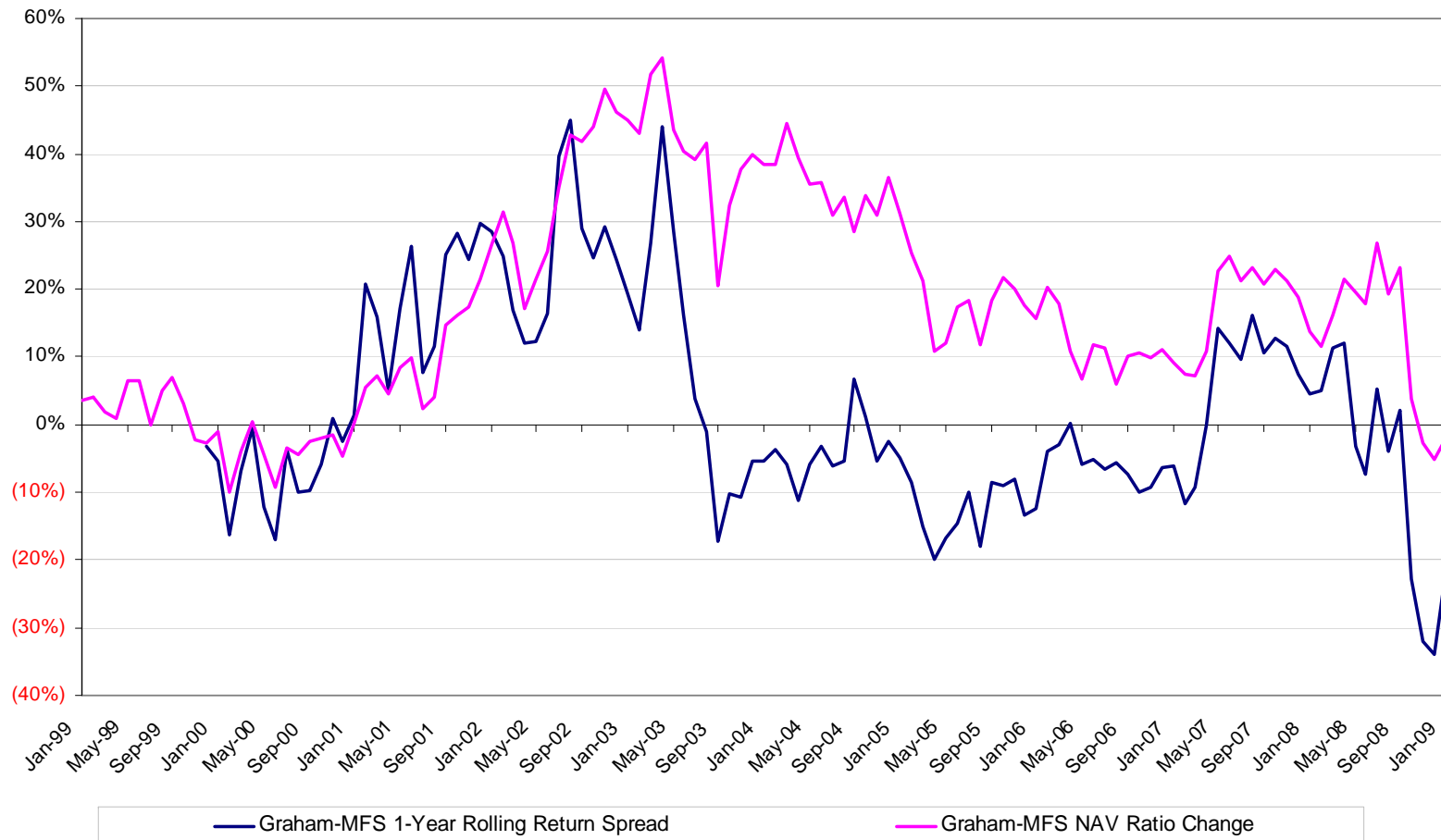
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Eclipse-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.18)**  
**Last Month = 01/09, Last YOY Spread = -32.68%, NAV Ratio Change = -88.13%**  
**Eclipse product is Eclipse Global Monetary**



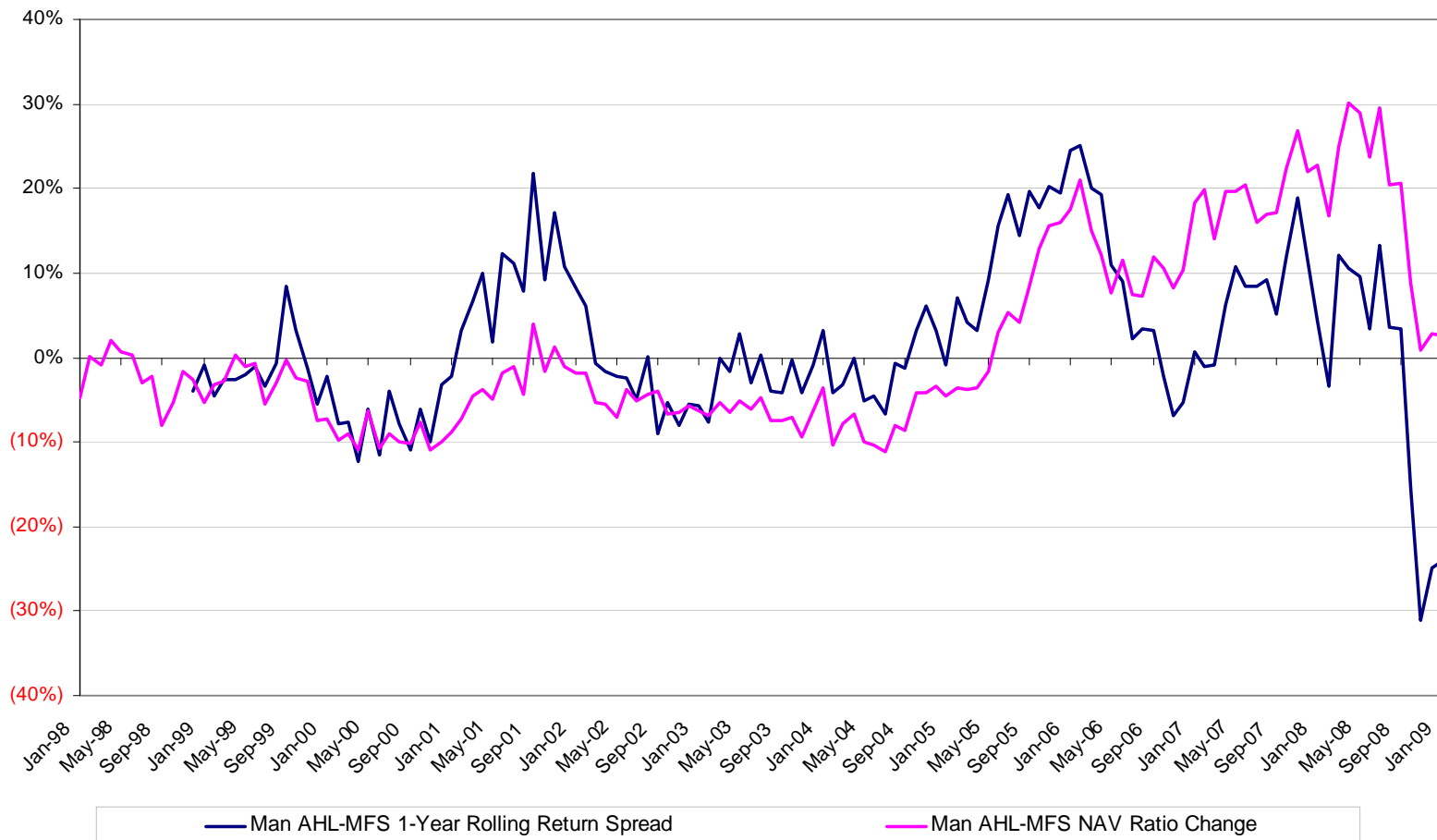
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Graham-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.31)**  
**Last Month = 01/09, Last YOY Spread = -21.49%, NAV Ratio Change = -2.08%**  
**Graham product is Graham K4**



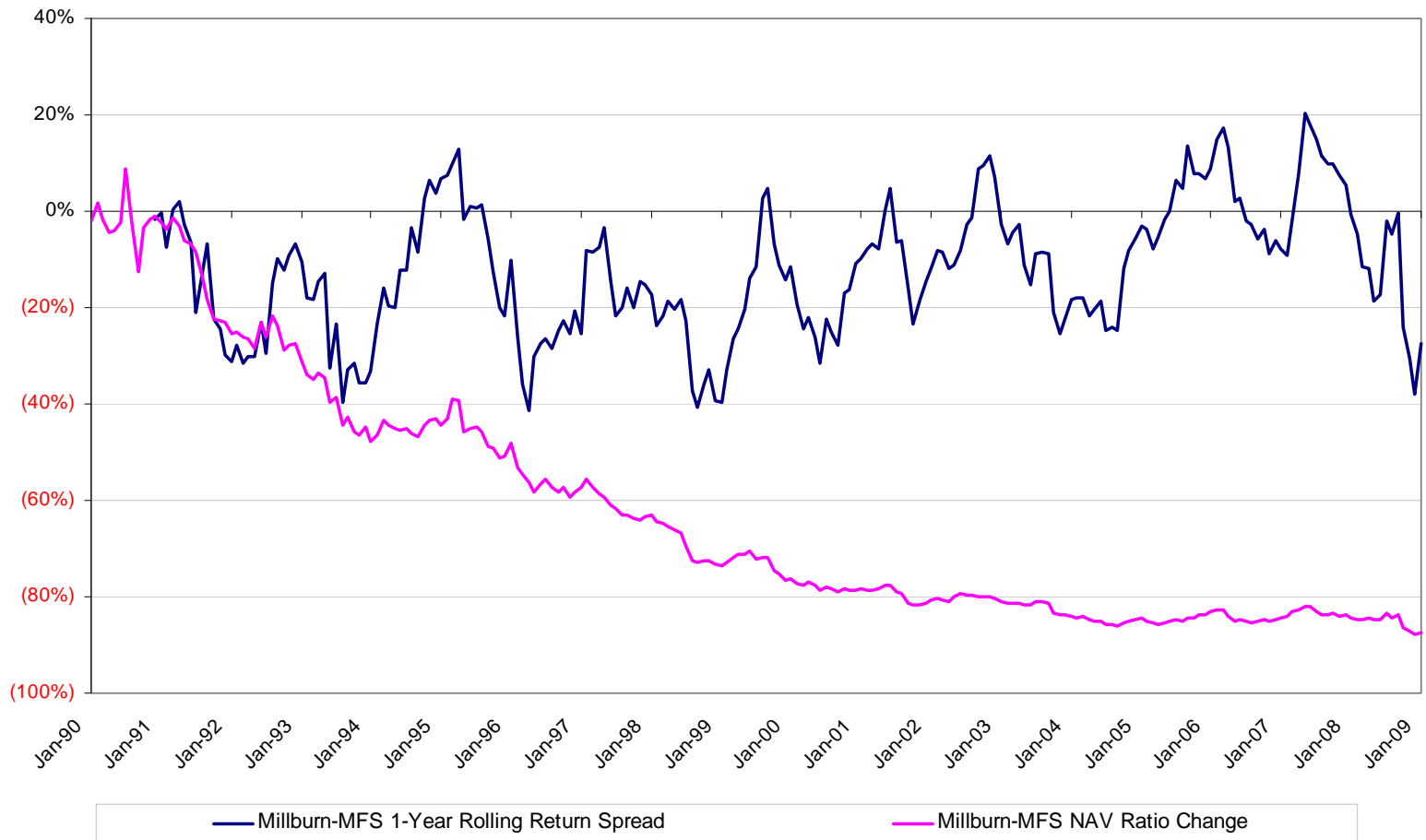
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Man AHL-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.12)**  
**Last Month = 01/09, Last YOY Spread = -24.11%, NAV Ratio Change = 2.63%**  
**Man AHL product is Man AHL Diversified**



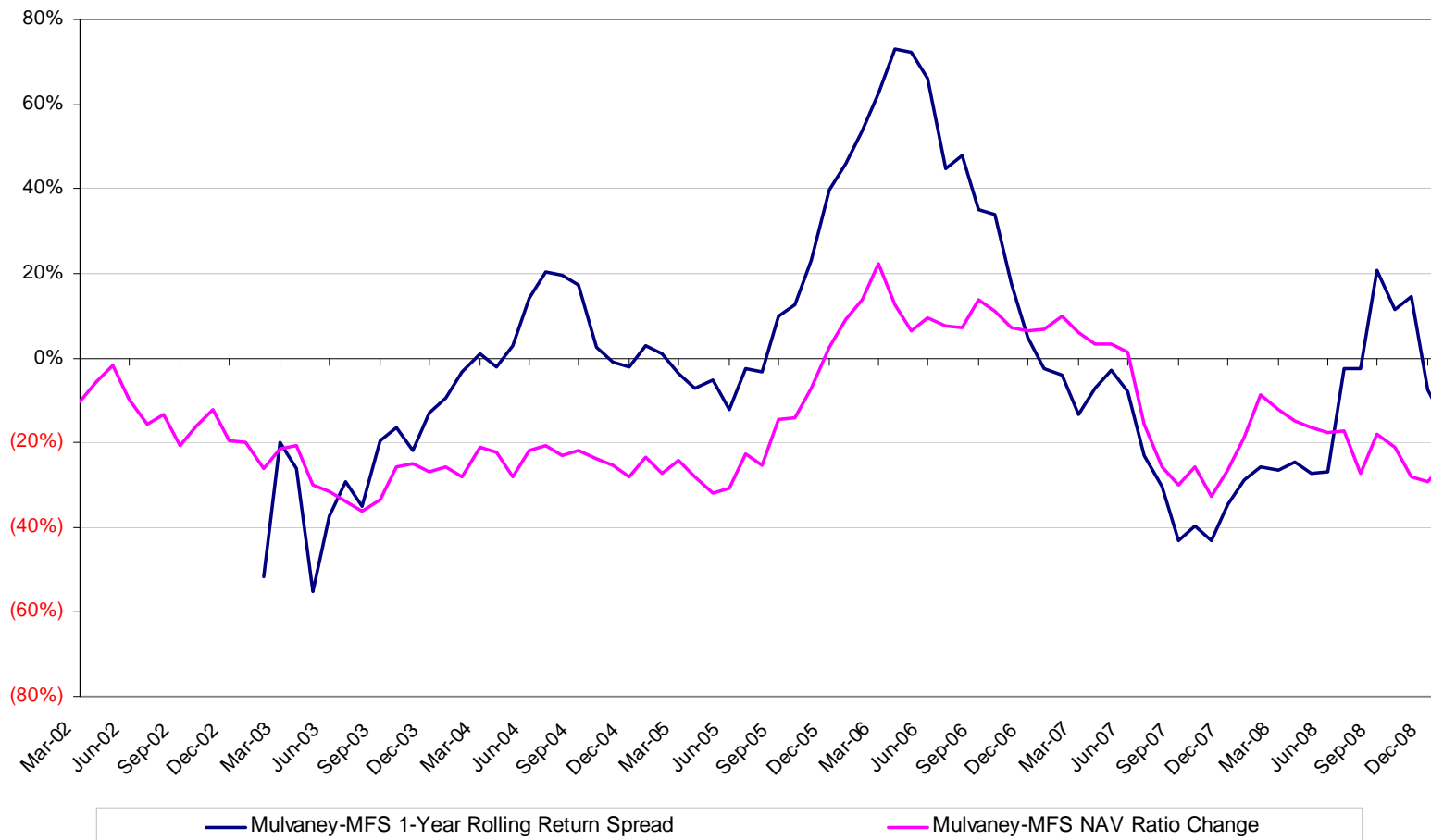
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Millburn-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.16)**  
**Last Month = 01/09, Last YOY Spread = -27.62%, NAV Ratio Change = -87.34%**  
**Millburn product is Millburn Diversified**



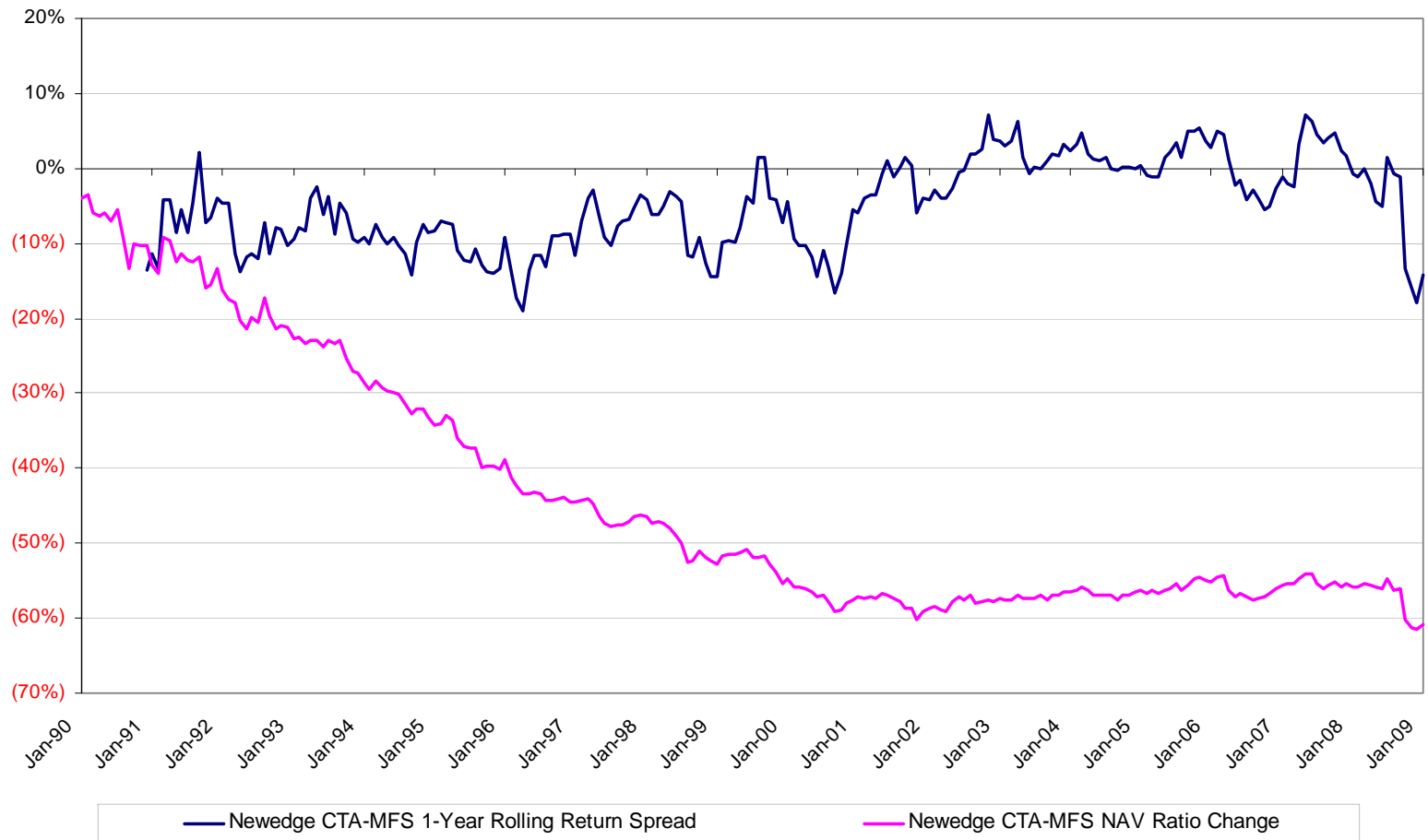
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Mulvaney-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 2.06)**  
**Last Month = 01/09, Last YOY Spread = -14.81%, NAV Ratio Change = -25.01%**  
**Mulvaney product is Mulvaney Global Markets Fund**



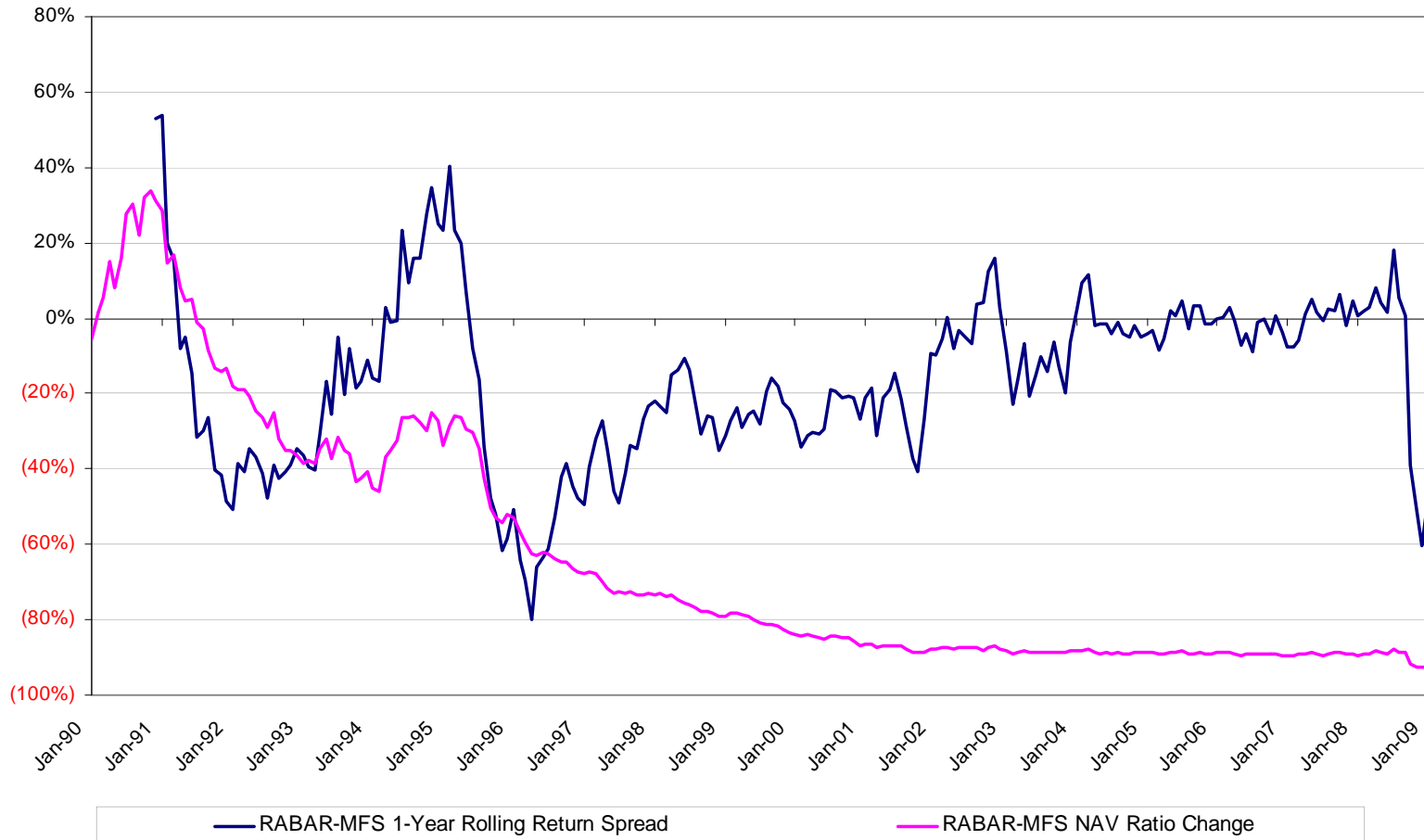
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Newedge CTA-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 0.63)**  
**Last Month = 01/09, Last YOY Spread = -14.17%, NAV Ratio Change = -60.91%**  
**Newedge CTA product is Newedge CTA Index**



There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

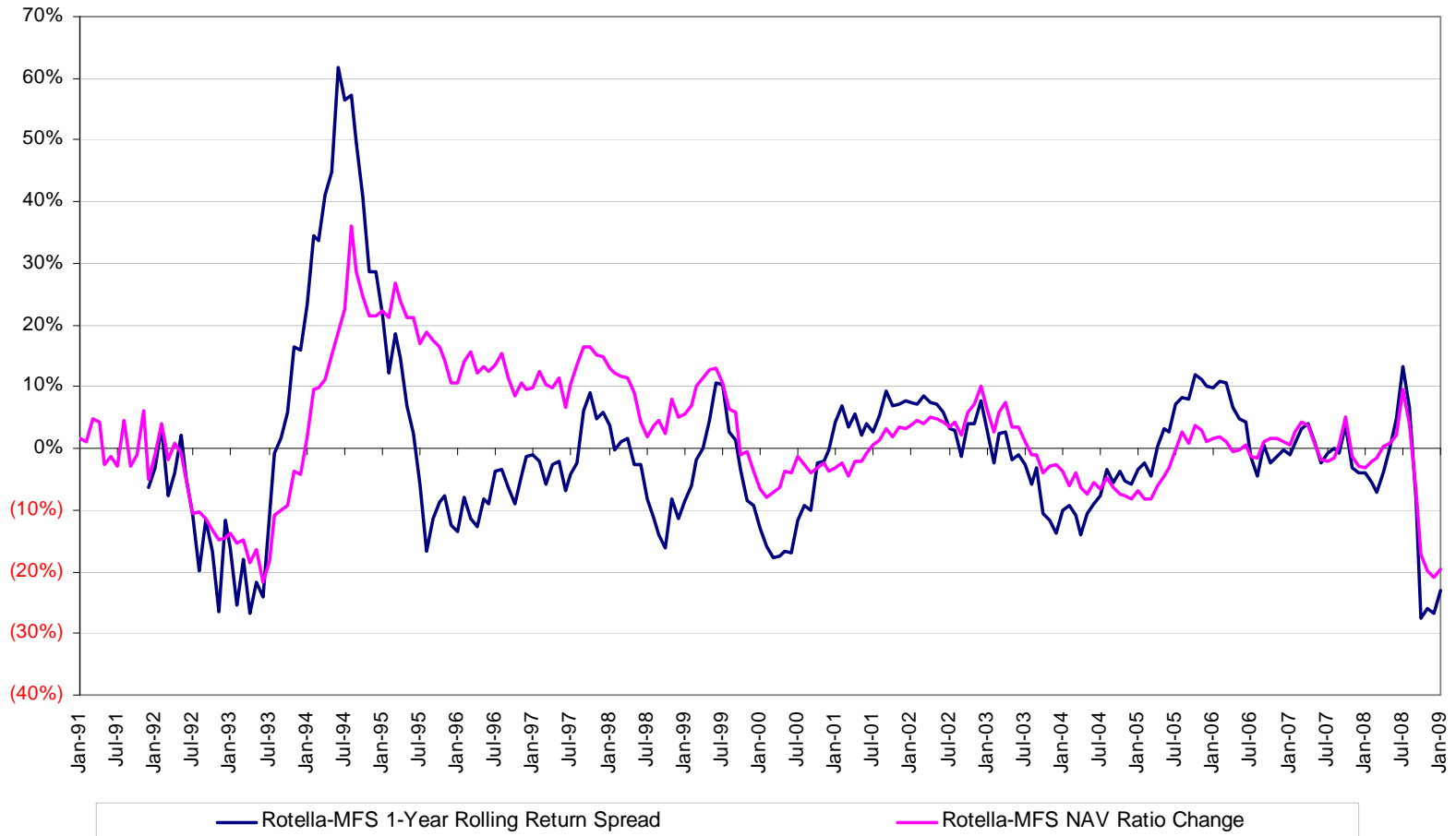
**RABAR-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.47)**  
**Last Month = 01/09, Last YOY Spread = -47.26%, NAV Ratio Change = -92.54%**  
**RABAR product is Rabar Diversified**



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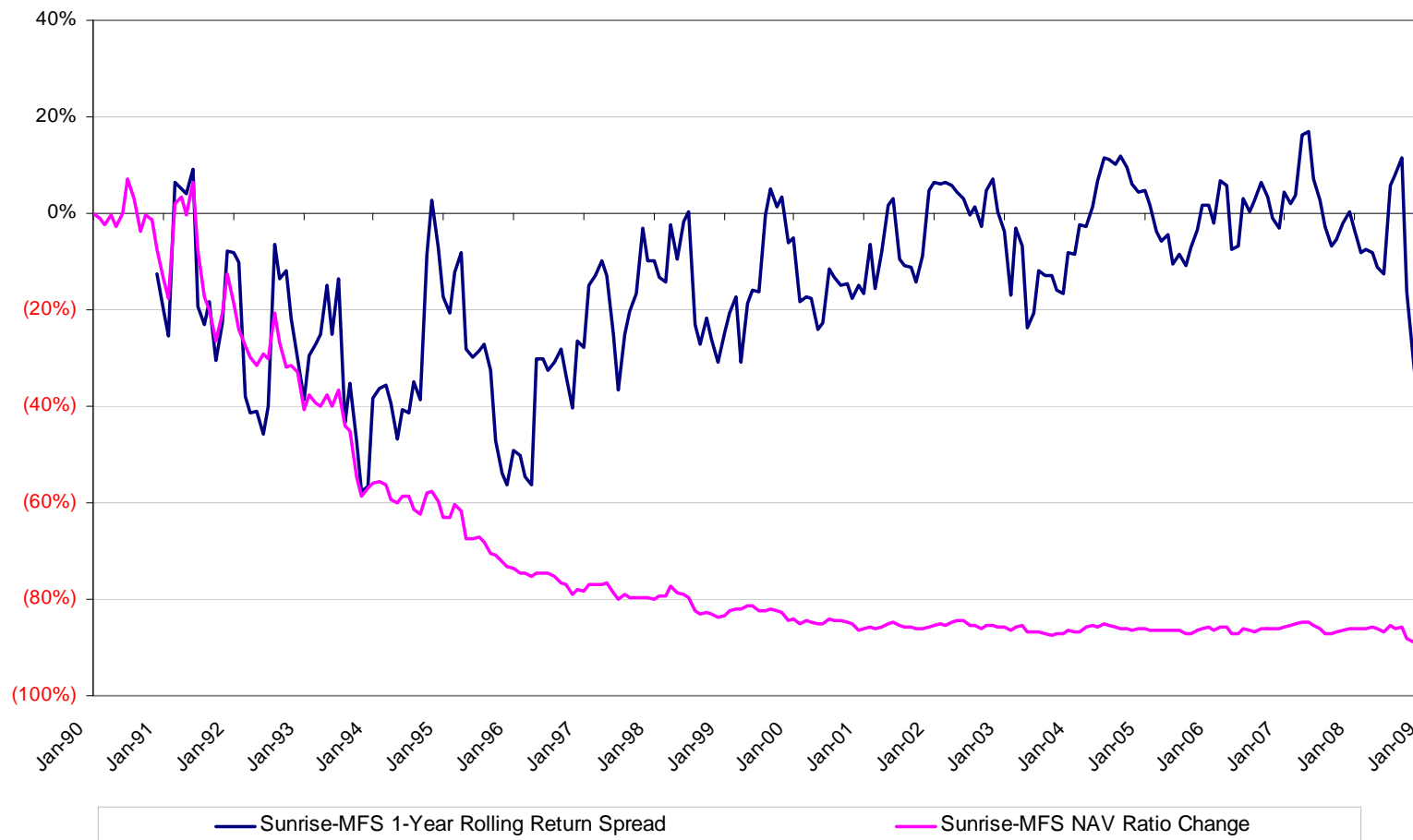
**Rotella-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 0.85)**  
**Last Month = 01/09, Last YOY Spread = -23.05%, NAV Ratio Change = -19.61%**  
**Rotella product is Rotella Std Leverage**



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**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

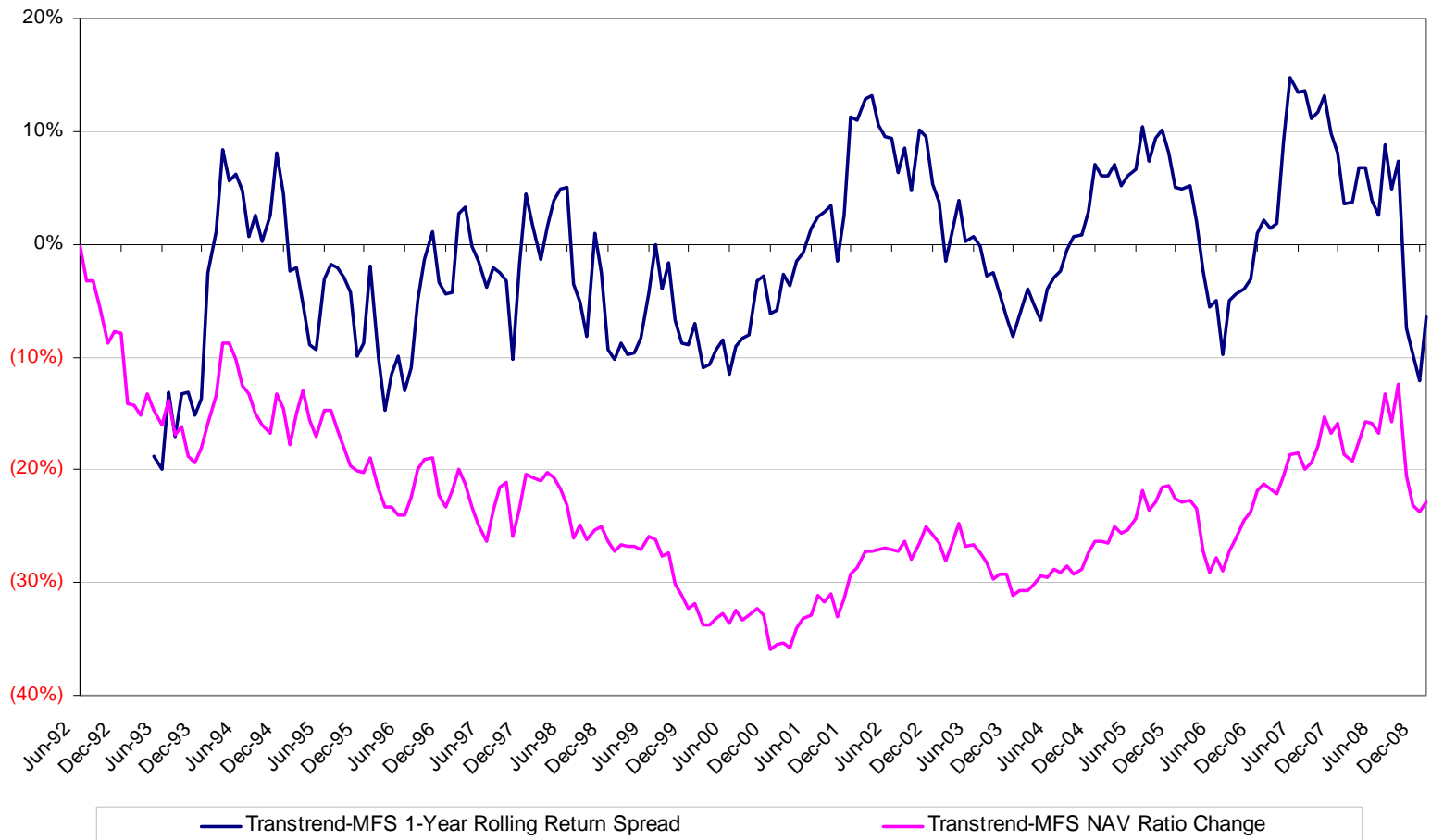


**Sunrise-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.41)**  
**Last Month = 01/09, Last YOY Spread = -35.65%, NAV Ratio Change = -89.24%**  
**Sunrise product is Sunrise Davco**



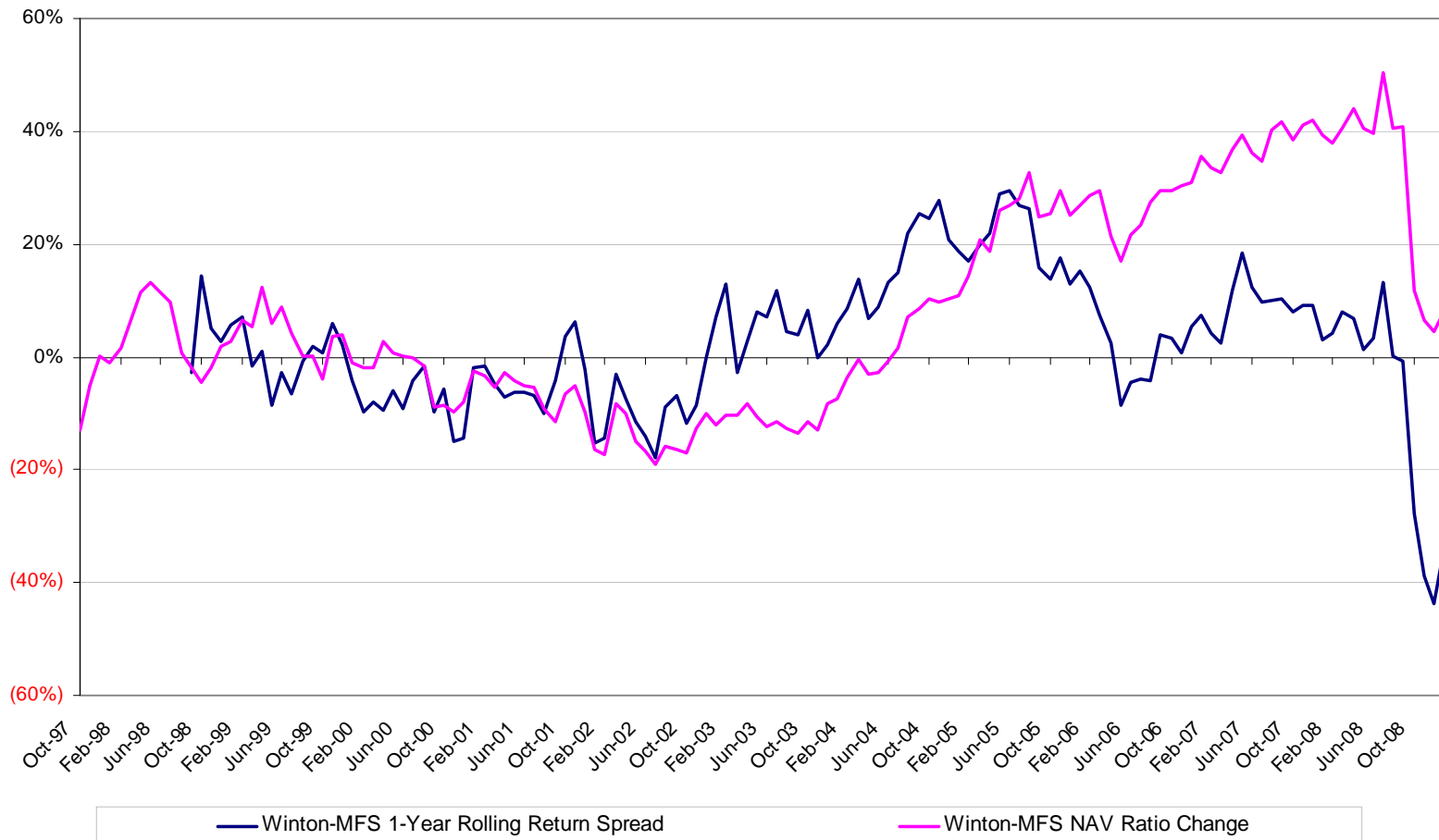
There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Transtrend-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 0.63)**  
**Last Month = 01/09, Last YOY Spread = -6.46%, NAV Ratio Change = -22.88%**  
**Transtrend product is Transtrend Diversified Standard Risk (USD)**



There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Winton-MFS Volatility-Equalized Performance Comparison (MFS Multiplier 1.23)**  
**Last Month = 01/09, Last YOY Spread = -34.05%, NAV Ratio Change = 8.02%**  
**Winton product is Winton Diversified**



There can be no assurance that the investment objectives or target returns will be achieved. Please see "Performance Information" on page 4 for important disclosures about the limitations of hypothetical returns and underlying assumptions.  
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**