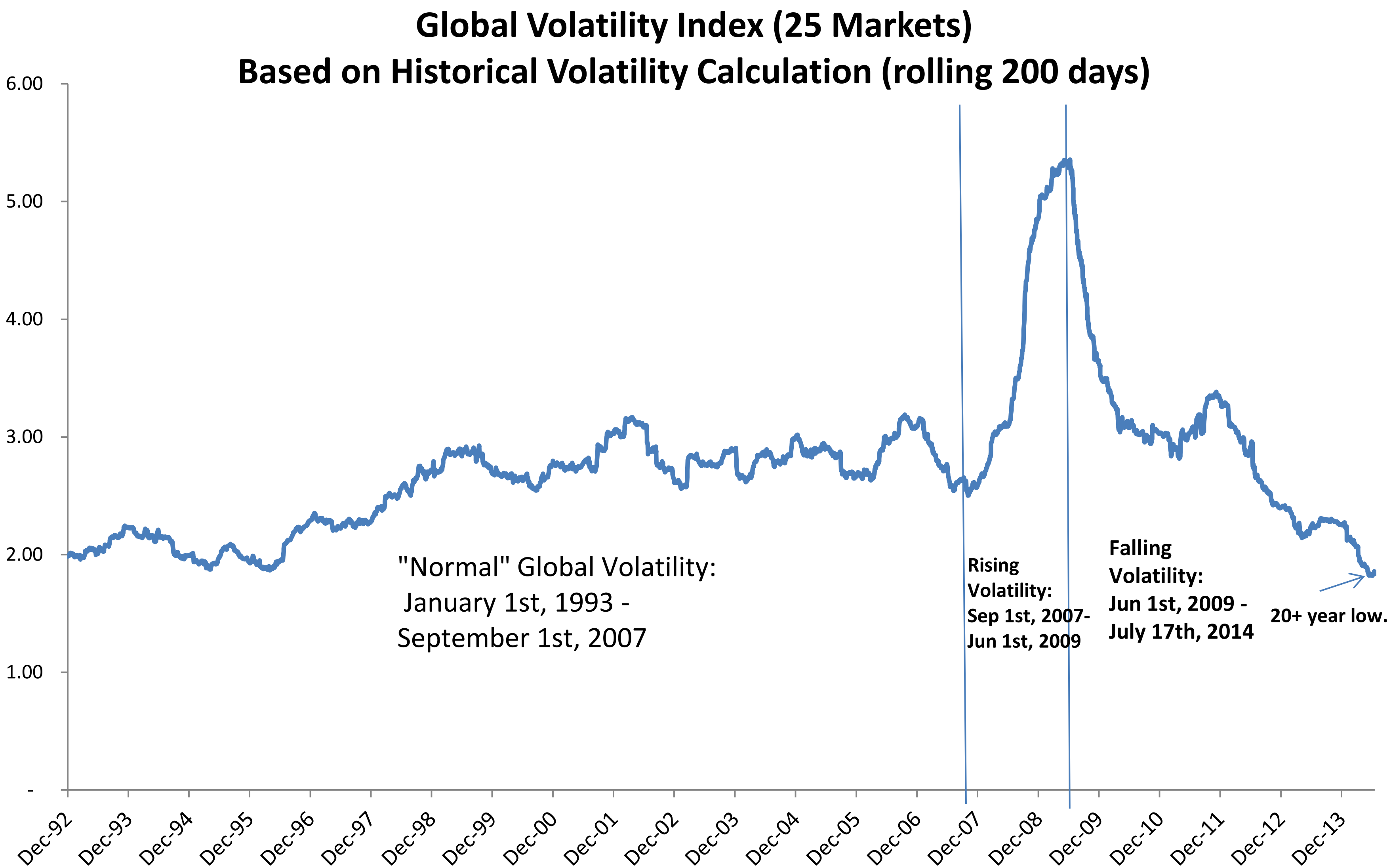
Why invest in CTAs?

CTAs have historically been uncorrelated to passive investment strategies, and performed well in a variety of market environments. They seek to be "all-weather."

The performance of the index has been very consistent…***until the unprecedented decline in global volatility over the last 5 years***. Since CTAs are typically betting on things to move, the environment has been bad**.**

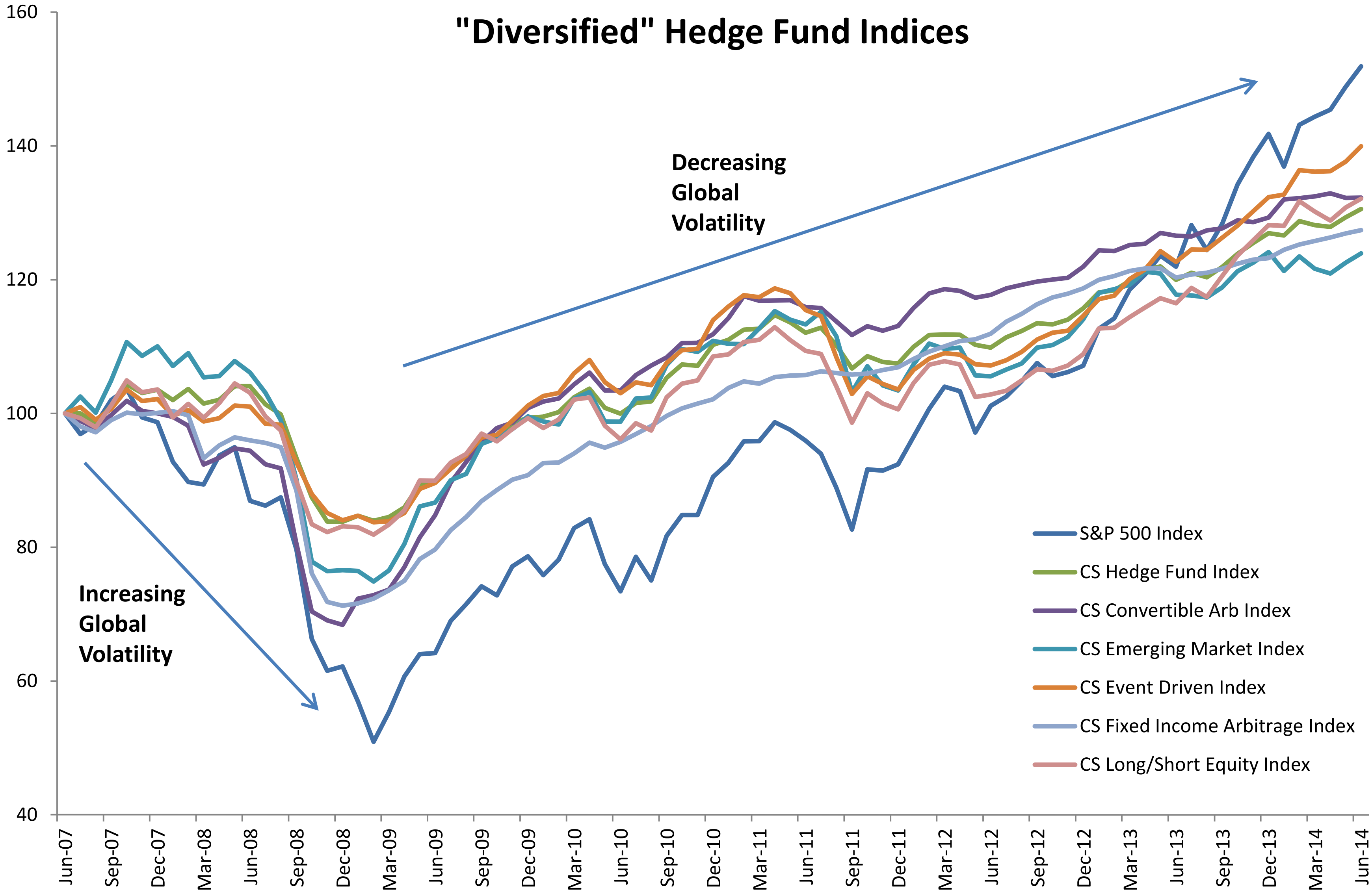
**** Past performance is not indicative of future results***.

In the past 7 years, we have seen 2 dramatic moves in volatility:



** Past performance is not indicative of future results.*

Many hedge fund strategies have become aligned with respect to performance in different volatility environments.



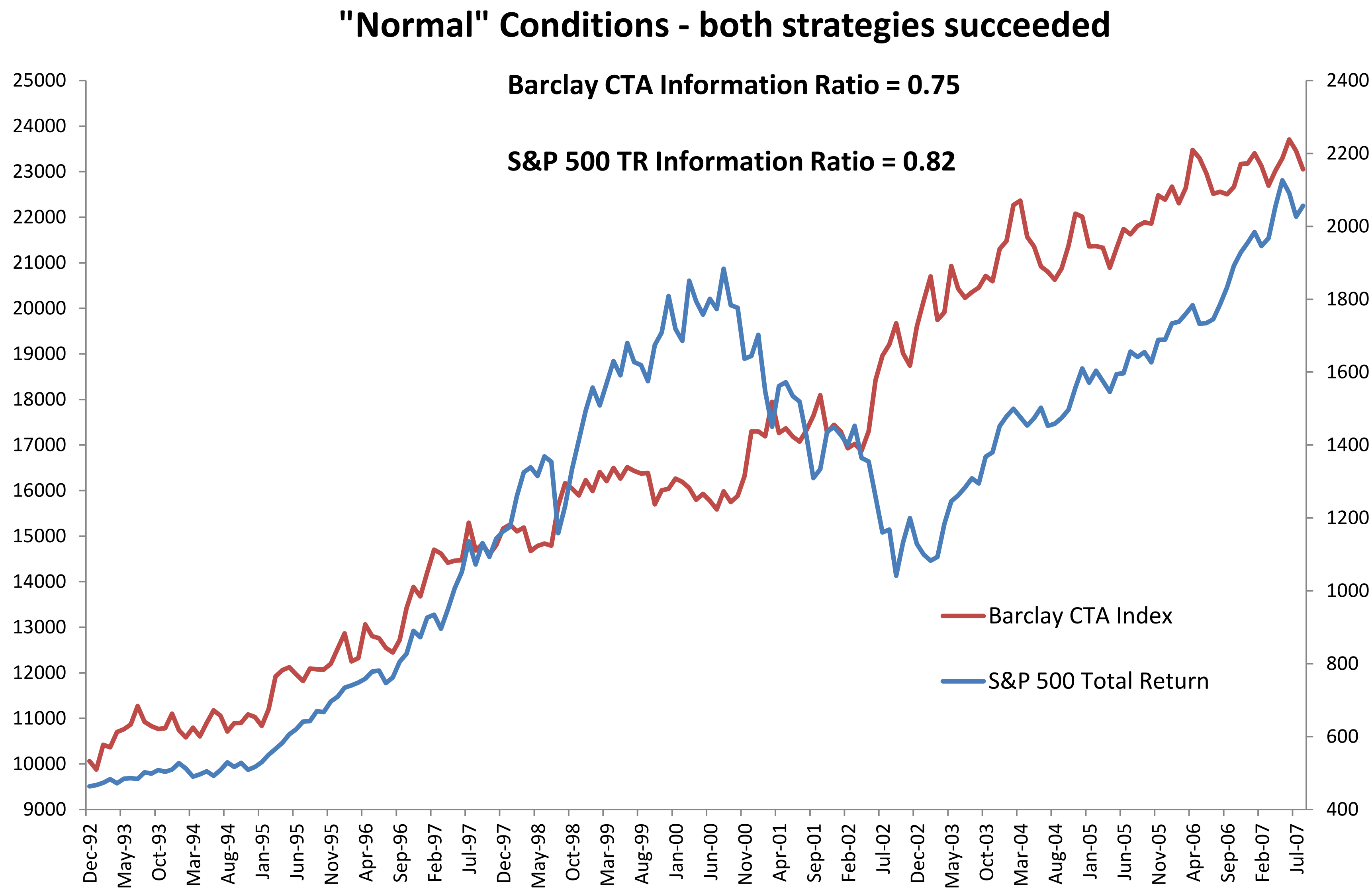
**** Past performance is not indicative of future results.***

Monthly correlations of selected indices, June 2007-present.

	S&P 500 Index	Barclay CTA Index	CS Convertible Arb Index	CS Emerging Market Index	CS Event Driven Index	CS Fixed Income Arbitrage Index	CS Long/Short Equity Index
S&P 500 Index	-----	-6%	57%	75%	75%	58%	83%
Barclay CTA Index	-6%	-----	-4%	14%	16%	-9%	19%
CS Convertible Arb Index	57%	-4%	-----	77%	72%	88%	70%
CS Emerging Market Index	75%	14%	77%	-----	84%	72%	90%
CS Event Driven Index	75%	16%	72%	84%	-----	63%	90%
CS Fixed Income Arbitrage Index	58%	-9%	88%	72%	63%	-----	60%
CS Long/Short Equity Index	83%	19%	70%	90%	90%	60%	-----

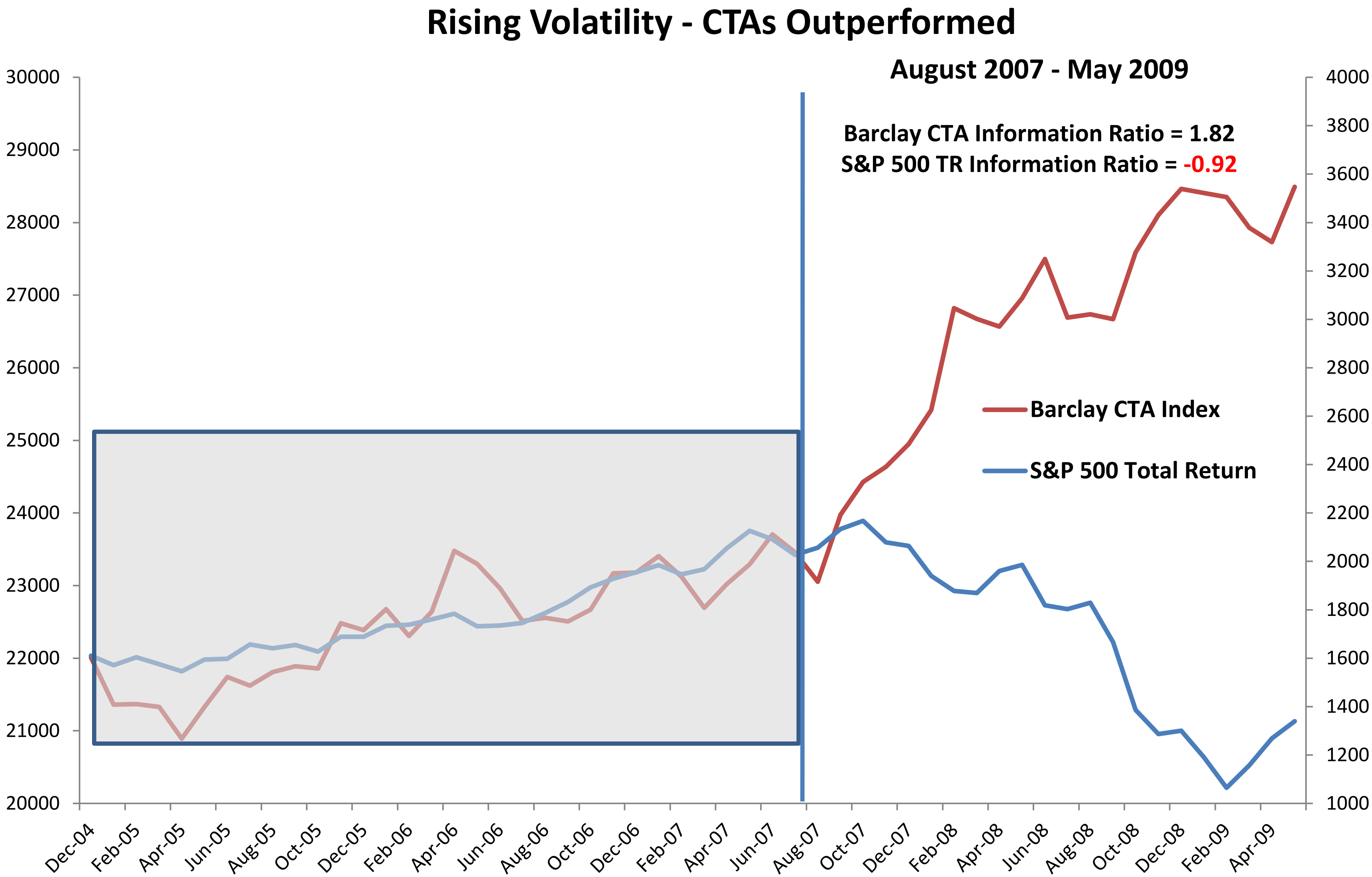
** Past performance is not indicative of future results*.

Prior to 2007, CTAs performed on par with the S&P 500, with better drawdown control.



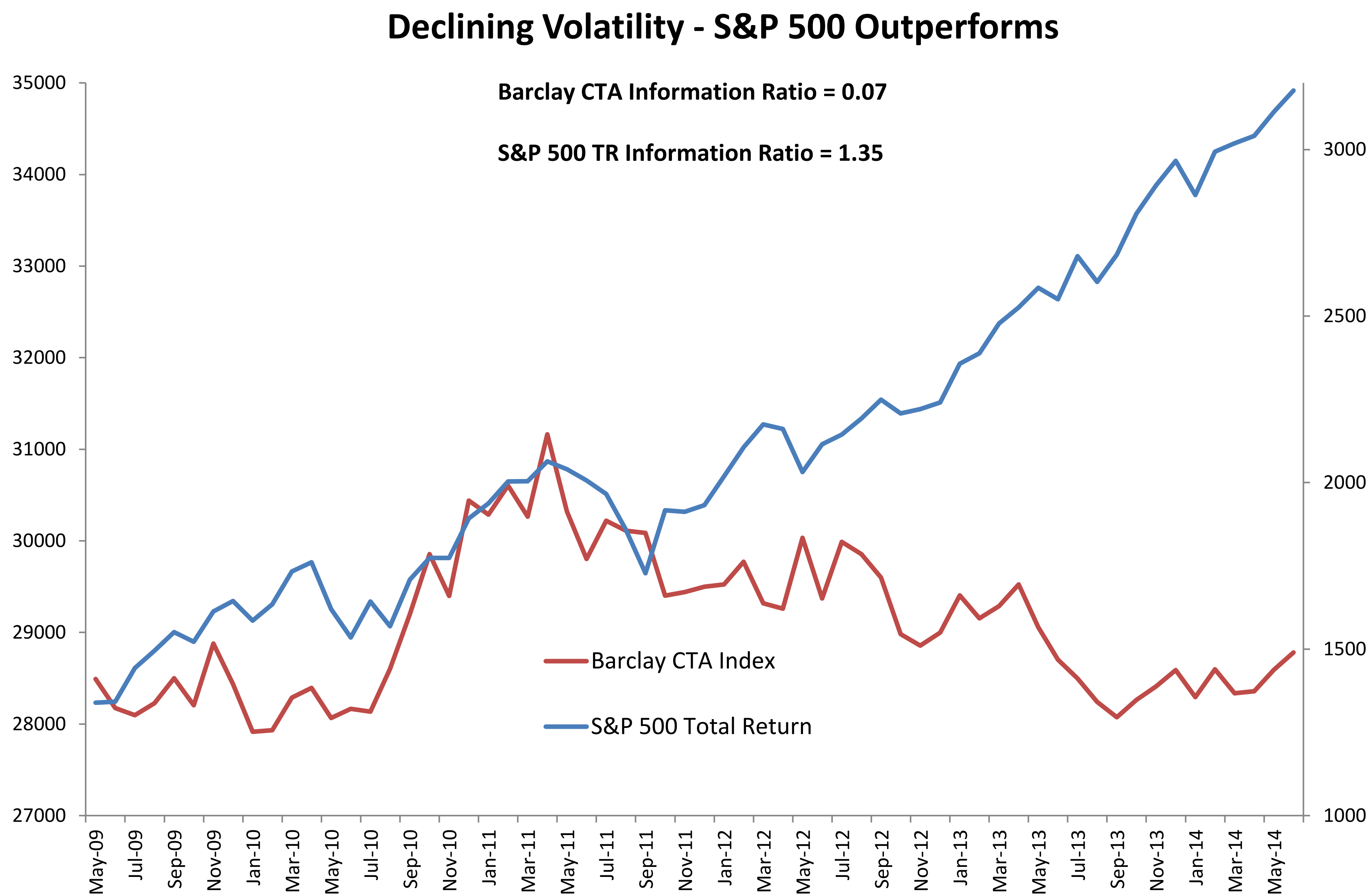
**** Past performance is not indicative of future results.***

From June 2007 – May 2009, CTAs profited from the dramatic rise in global volatility.



*** Past performance is not indicative of future results*.**

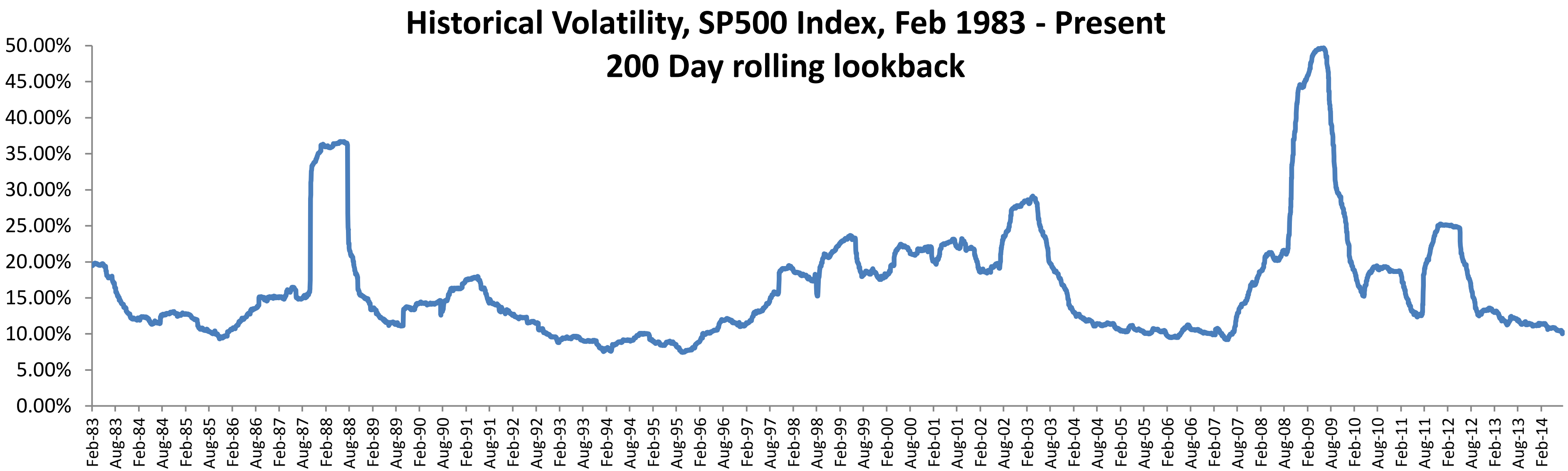
Conversely, the S&P 500 benefited from a dramatic decline in global volatility:

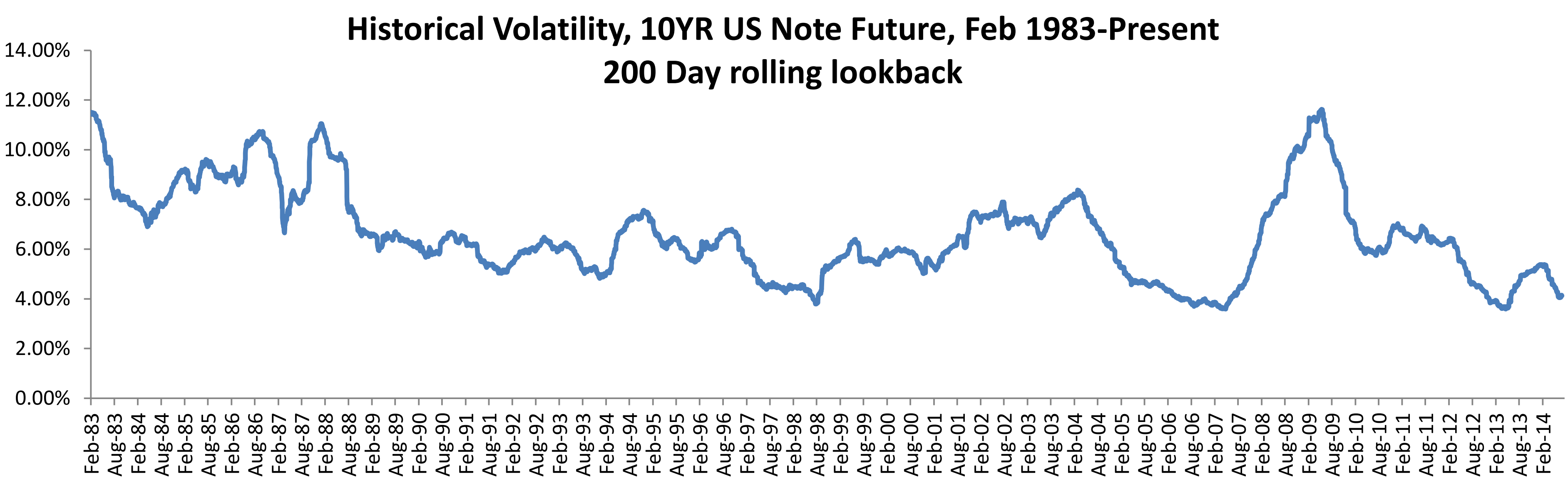


*** Past performance is not indicative of future results.***

Can this decline in volatility continue?

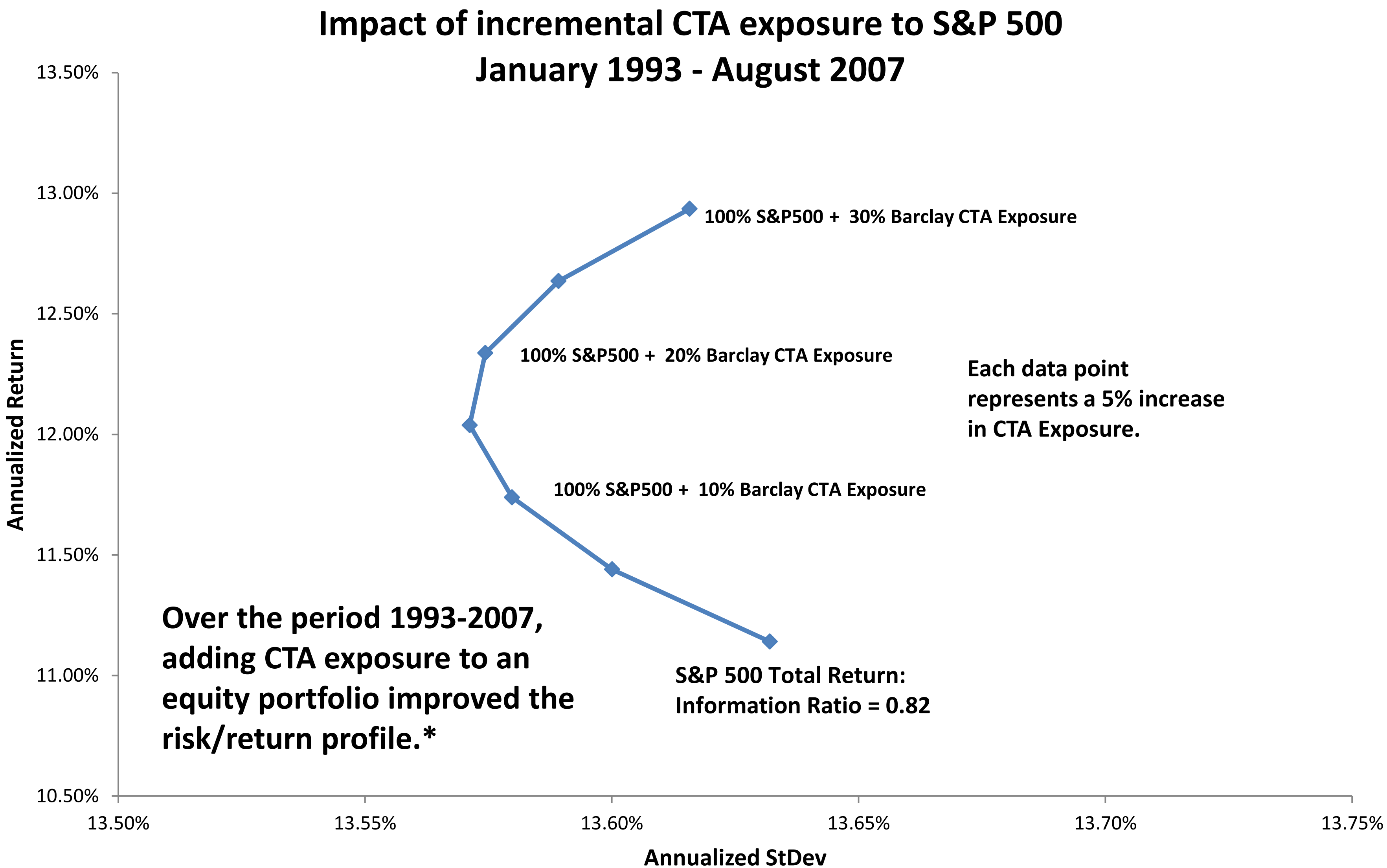
Global Volatility is near recorded lows…we can look back further to see the same is true in US markets:





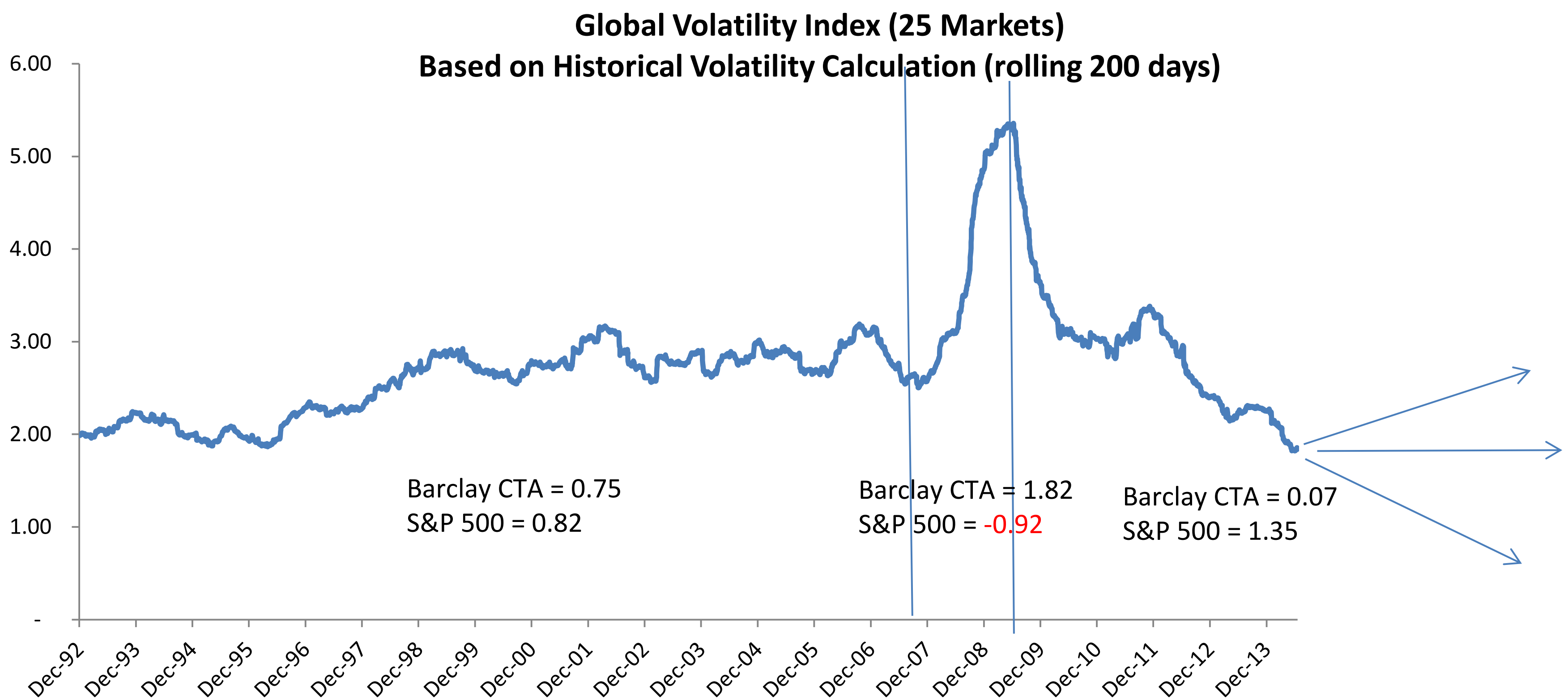
***Past performance is not indicative of future results*.**

What if we go back to "Normal" – an environment of stable volatility?



** Past performance is not indicative of future results.*

Conclusion:



- CTAs have added incremental value in normal market conditions, and considerable value in a rising volatility environment.

- Global Volatility, S&P 500 Volatility, and US Interest Rate Volatility are all near recorded lows.

***Past performance is not indicative of future results**.*

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