
The Call Purchase Program and The Equity Index Timing Futures Strategy

For Discussion Purposes Only

July 2009

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Foreword

This brochure presents an analysis of the investment merits of adding two short-term trading strategies currently operated by AIC Capital LLC to a passive long portfolio of call options on the S&P 500 Index futures. It is shown that these strategies may cheapen the calls by capturing profits from mean reverting stock prices – much like a dynamic option hedging strategy would do. The analysis shows how such a portfolio combination might have performed historically in strongly advancing, strongly declining, slowly drifting markets and other scenarios.

The analysis has entirely the character of an academic and incomplete “proof of principle” study. All performance results presented are simulated with the exception of the historical performance of the S&P 500 Index. None of the returns of the various portfolio combinations were ever achieved in practice.

The performance results have not been "curve fitted" because they were produced from simulations performed without any attempt to optimize the overall results. The time series of returns for each strategy should be evaluated independently according to its own investment merit before evaluating the investment merit of their combinations. The combinations are presented to illustrate the different results that could have been obtained.

None of the simulated results presented in this brochure is intended to suggest how any given account would have, did, or will perform, but rather to suggest that there may be uses for the strategies described herein, either alone or in combination, which could be of interest to certain institutional investors and in certain situations in which they need to adjust or fine-tune the expected risk/reward profile of their equity market exposures.

Because all results are simulated, they do not account for possibility or impossibility in reality to execute trades at prices assumed in the simulations due to factors which are not adequately modeled. These factors include market illiquidity, trading halts, abnormally large price fluctuations, unfavorable interest rate environments, government intervention and so forth. The simulated results are therefore unlikely to be realized in practice. This brochure does not mean to suggest otherwise. However, some of the relationships indicated by the simulations may hold in practice and may indicate profit opportunities which could be of interest to certain investors.

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Past performance — especially hypothetical derived past performance — is not necessarily indicative of future results. Investors may lose all or substantially all of their investment in the Fund.

The simulated performance information is not based on actual trades. The simulation is based on the following material assumptions: a constant capital base of \$100 million, and all trades being executed at the closing price. These assumptions would not, in fact, have been the case had actual performance been involved.

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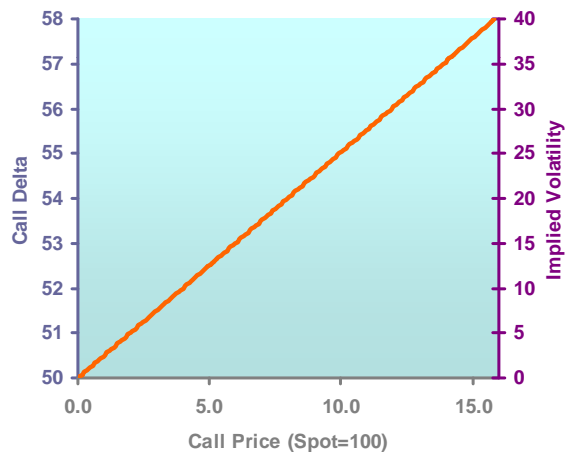
Introduction

- Consider the following:
 - You have \$100 of exposure to the S&P 500 Index.
 - Your mandate is to maintain this exposure on the upside with the expectation that the market has substantial upside potential, given its dramatic decline in the past year.
 - You wish to participate fully in the upside while limiting the downside.
 - Instead of owning \$100 of the exposure in the cash market via ETF's or a passive or active basket of equity securities, is there an alternative to consider?
- Analysis:
 - First, we analyze what you might achieve if, instead of passive equity or ETF exposure, you had held a passive portfolio (the “Standalone Passive Portfolio of Calls” below) consisting of (a) \$20 worth of call options on the S&P 500 Index with an aggregate delta of around 100, i.e., 1 times the underlying Index and (a) \$80 in cash earning the Fed Funds rate.
 - Then, we analyze the investment outcome of allocating the \$80 to two short-term trading strategies currently operated by AIC Capital LLC with the aim to cheapen the calls while preserving much of their upside potential.

A Standalone Passive Portfolio of Calls

Buying Long-Dated Calls on the S&P 500 Index

- Under Black-Scholes pricing with no carry and no volatility skew, an at-the-money call with one year to expiration costs about \$10 assuming an implied volatility of 25% and an underlying index price of \$100. This call has a delta of 55, i.e. 0.55 times the underlying Index, and so buying \$20 worth will give us a delta of slightly greater than 100. What is the dependence of the delta on implied volatility and maturity?
- Answer: The delta is bounded below by 50, i.e. 0.50 times the underlying index, as long as the call is at or in the money regardless of the value of the implied volatility (cf. graph below). Hence by spending \$20, we will always get a dollar delta of at least \$100.



Under the stated assumptions, the following relationship holds between Δ and C , the delta and price of the call respectively:

$$\Delta = C / 2 + 50$$

This is valid for all implied volatilities and maturities as long as the call is at-the-money. The value of the underlying index is assumed to be 100.

Hence the more expensive the call, the higher its delta.

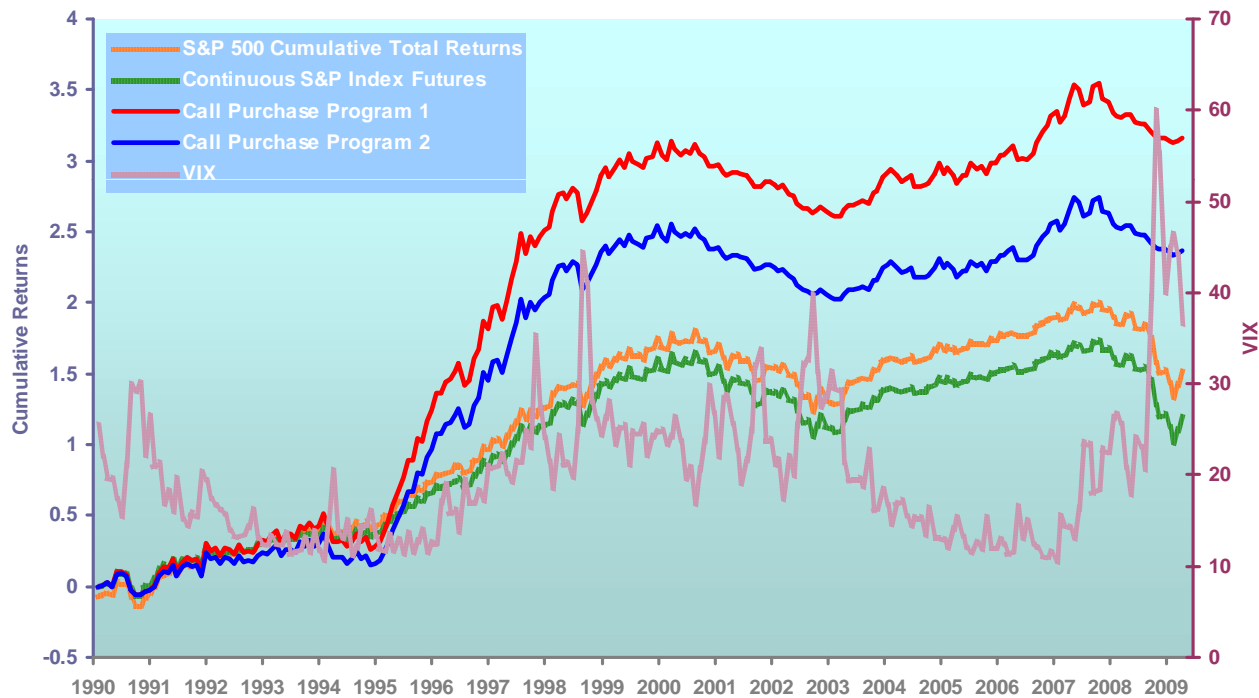
- After buying the calls, we should recover some time decay by engaging in dynamic hedging. In a mean reverting market – and the S&P 500 Index certainly is one – the upside is never attained via a straight price trajectory. Therefore we should cheapen the call and reduce the risk of losing the premium paid by dynamically hedging or “trading the gamma” using the underlying index.
- Because the calls are at-the-money, their time decay is greatest and therefore dynamic hedging will have the greatest effect.

Return and Risk Characteristics of a Passive Portfolio of Calls

- What is the return profile and risk characteristics of a passive portfolio of call options on the S&P 500 Index?
- Answer: We estimate the historical returns of this portfolio by performing the following simplified simulation:
 - Calls on S&P 500 Index futures are purchased at the end of each month at a simulated price corresponding to the implied volatility which is the value of the VIX Index at the close of the last trading day of the month.
 - Calls have 12-month maturities and are held to maturity.
 - The purchase is spread out over 12 months to obtain a more representative average pricing of the investment. This means calls purchased at the end of January are held until the following January and those purchased at the end of February are held until the following February and so forth.
 - In any given month, calls with times to expiry ranging from 1 to 12 months are held in the portfolio.
 - \$20 out of a \$100 principal is spent to purchase the calls. The remaining \$80 is invested at the overnight Fed Funds rate.
 - Calls are priced monthly using the Black model and month-end values of the VIX Index as proxy for the implied volatility.
- Despite its simplicity, the model should capture the gross effects of a passive call purchase strategy and allow us to calibrate the effects of changes in implied volatility on the value of the portfolio.

Historical Simulated Returns of a Passive Portfolio of Calls

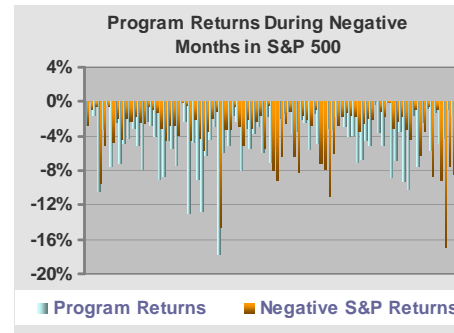
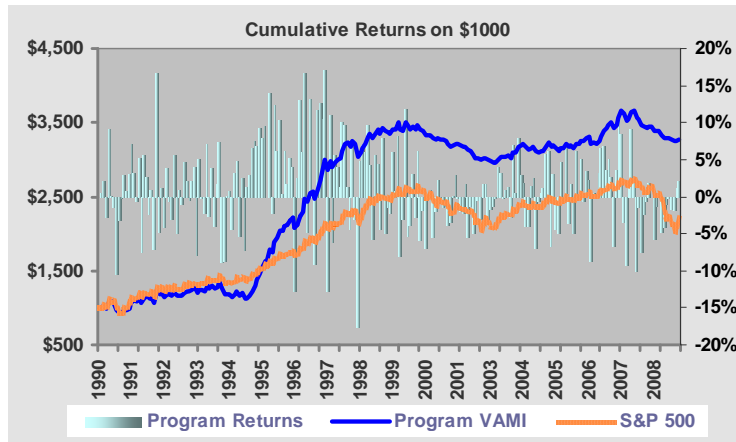
- The graph below shows the cumulative simulated return series of *Call Purchase Program 1*, whose calls are priced at the value of the VIX Index at the time of purchase, and *Call Purchase Program 2*, whose calls are priced at 115% of the VIX Index at the time of purchase so as to simulate the effect of transaction costs from the bid-ask spread.



- These are only simulated results. Please read important disclosures at the beginning of this brochure.

Simulated Performance Capsule of Call Purchase Program 2

Return Highlights				Return/Risk									
MTD 04/30/09	2.0%	Ann ROR	12%	Best Month	17.0%	Sharpe Ratio	0.6	Inception Date	1/31/1990				
YTD 2009	-0.5%	Avg Month ROR	1.0%	Worst Month	-17.6%	Max Drawdown	54%	Management Fee	0.5%				
Q1-2009	-2.5%	Tot Ret from Inception	228%	Success Rate	55%	Correlation to S&P	52%	Incentive Fee	0%				
2008	-26.2%	Program Lifetime	232 months	Standard Deviation	19.6%	Min Rolling 12M ROR	-37%	Strategy Type					
Monthly Performance (actual above risk-free and net of fees)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	-1.6%	-2.0%	1.0%	2.0%									-0.5%
2008	-7.6%	-2.5%	-0.7%	1.8%	-0.1%	-5.8%	-1.2%	0.0%	-4.8%	-4.2%	-1.0%	-0.2%	-26.2%
2007	2.7%	-6.8%	3.6%	10.5%	8.4%	-3.4%	-9.3%	1.8%	9.1%	2.2%	-10.1%	-1.5%	7.2%
2006	5.0%	-0.8%	3.5%	2.2%	-8.8%	0.6%	-0.4%	3.2%	6.6%	6.7%	3.6%	4.9%	26.3%
2005	-6.7%	3.0%	-4.5%	-5.1%	4.5%	-0.3%	6.9%	-3.6%	1.6%	-5.0%	6.1%	-0.2%	-3.1%
2004	2.7%	1.9%	-4.1%	-3.9%	1.4%	2.4%	-6.9%	-0.6%	0.5%	1.2%	5.8%	6.1%	6.5%
2003	-1.7%	-1.3%	-0.4%	3.9%	3.3%	-0.3%	0.8%	1.3%	-2.8%	6.9%	0.5%	7.9%	18.2%
2002	-2.0%	-2.3%	1.6%	-5.5%	-1.4%	-4.9%	-3.6%	-0.4%	-3.1%	1.7%	1.7%	-3.3%	-21.6%
2001	0.9%	-5.6%	-2.0%	2.2%	-0.3%	-1.2%	-3.4%	-3.8%	-0.1%	2.7%	-0.3%	-11.9%	-11.9%
2000	-8.0%	-3.0%	11.8%	-5.4%	-3.7%	2.9%	-2.9%	6.2%	-5.9%	-1.8%	-6.9%	-0.0%	-16.8%
1999	4.2%	-5.8%	5.6%	4.5%	-4.4%	7.9%	-5.1%	-1.5%	-2.3%	6.0%	0.7%	8.1%	17.9%
1998	1.3%	10.0%	9.7%	1.3%	-4.4%	6.9%	-3.0%	-17.6%	4.8%	6.9%	5.9%	9.6%	31.3%
1997	13.2%	0.9%	-9.0%	11.6%	12.6%	10.4%	17.0%	-12.8%	11.0%	-6.2%	5.5%	3.9%	58.1%
1996	10.3%	0.3%	6.1%	1.6%	5.2%	4.1%	-12.9%	2.5%	12.9%	5.9%	16.7%	-4.7%	48.0%
1995	2.9%	6.5%	7.6%	6.8%	9.3%	8.0%	9.5%	-0.1%	14.0%	-2.2%	12.4%	6.1%	80.8%
1994	7.3%	-8.9%	-8.7%	0.1%	0.8%	-4.5%	3.2%	4.8%	-5.3%	2.4%	-7.3%	1.2%	-14.9%
1993	-0.5%	2.0%	4.0%	-7.8%	5.1%	-0.3%	-2.2%	7.2%	-2.7%	3.8%	-4.0%	1.7%	6.2%
1992	-4.9%	1.0%	-4.2%	3.7%	-0.7%	-3.0%	5.5%	-5.0%	0.9%	-1.1%	4.5%	2.1%	-1.2%
1991	3.0%	7.2%	3.2%	-0.6%	5.2%	-7.4%	5.6%	2.6%	-2.4%	0.8%	-7.1%	16.7%	26.7%
1990		0.5%	2.0%	-2.7%	9.1%	0.1%	-1.5%	-10.5%	-3.3%	-0.3%	2.8%	0.6%	-3.3%

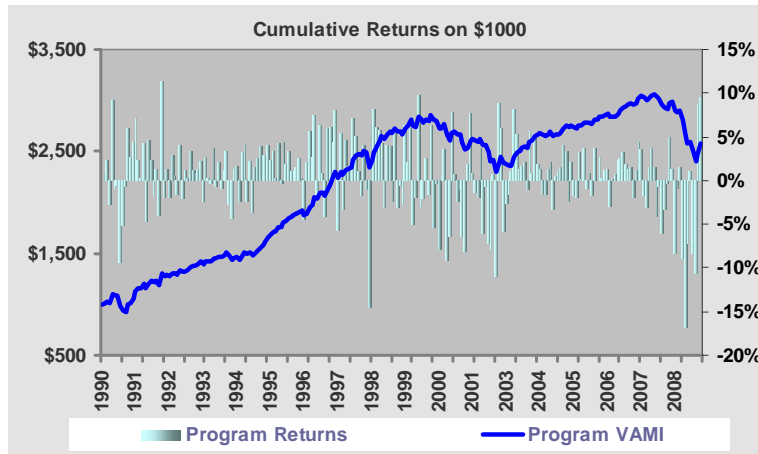


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Performance capsule of S&P 500 Total Return Index

Return Highlights				Return/Risk					
MTD 04/30/09	9.6%	Ann ROR	8%	Best Month	11.4%	Sharpe Ratio	0.5	Inception Date	1/31/1990
YTD 2009	-0.7%	Avg Month ROR	0.7%	Worst Month	-16.8%	Max Drawdown	67%		
Q1-2009	-10.3%	Tot Ret from Inception	170%	Success Rate	63%	Correlation to S&P	100%		
2008	-43.2%	Program Lifetime	232 months	Standard Deviation	15.0%	Min Rolling 12M ROR	-53%		

Year	Monthly Performance												YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2009	-8.4%	-10.6%	8.8%	9.6%									-0.7%
2008	-6.0%	-3.2%	-0.4%	4.9%	1.3%	-8.4%	-0.8%	1.4%	-8.9%	-16.8%	-7.2%	1.1%	-43.2%
2007	1.5%	-2.0%	1.1%	4.4%	3.5%	-1.7%	-3.1%	1.5%	3.7%	1.6%	-4.2%	-0.7%	5.8%
2006	2.6%	0.3%	1.2%	1.3%	-2.9%	0.1%	0.6%	2.4%	2.6%	3.3%	1.9%	1.4%	14.9%
2005	-2.4%	2.1%	-1.8%	-1.9%	3.2%	0.1%	3.7%	-0.9%	0.8%	-1.7%	3.8%	0.0%	5.1%
2004	1.8%	1.4%	-1.5%	-1.6%	1.4%	1.9%	-3.3%	0.4%	1.1%	1.5%	4.0%	3.4%	10.6%
2003	-2.6%	-1.5%	1.0%	8.2%	5.3%	1.3%	1.8%	1.9%	-1.1%	5.7%	0.9%	5.2%	26.1%
2002	-1.5%	-1.9%	3.8%	-6.1%	-0.7%	-7.1%	-7.8%	0.7%	-10.9%	8.8%	5.9%	-5.9%	-22.7%
2001	3.5%	-9.1%	-6.3%	7.8%	0.7%	-2.4%	-1.0%	-6.3%	-8.1%	1.9%	7.7%	0.9%	-10.8%
2000	-5.0%	-1.9%	9.8%	-3.0%	-2.1%	2.5%	-1.6%	6.2%	-5.3%	-0.4%	-7.9%	0.5%	-8.2%
1999	4.2%	-3.1%	4.0%	3.9%	-2.4%	5.5%	-3.1%	-0.5%	-2.7%	6.3%	2.0%	5.9%	20.0%
1998	1.1%	7.2%	5.1%	1.0%	-1.7%	4.1%	-1.1%	-14.5%	6.4%	8.1%	6.1%	5.8%	27.6%
1997	6.2%	0.8%	-4.1%	6.0%	6.1%	4.5%	8.0%	-5.6%	5.5%	-3.3%	4.6%	1.7%	30.3%
1996	3.4%	0.9%	1.0%	1.5%	2.6%	0.4%	-4.4%	2.1%	5.6%	2.8%	7.6%	-2.0%	21.4%
1995	2.6%	3.9%	3.0%	2.9%	4.0%	2.3%	3.3%	0.3%	4.2%	-0.4%	4.4%	1.9%	32.5%
1994	3.4%	-2.7%	-4.4%	1.3%	1.6%	-2.5%	3.3%	4.1%	-2.4%	2.2%	-3.6%	1.5%	1.8%
1993	0.8%	1.4%	2.1%	-2.4%	2.7%	0.3%	-0.4%	3.8%	-0.8%	2.1%	-1.0%	1.2%	9.8%
1992	-1.9%	1.3%	-1.9%	2.9%	0.5%	-1.5%	4.1%	-2.0%	1.2%	0.3%	3.4%	1.2%	7.6%
1991	4.4%	7.2%	2.4%	0.2%	4.3%	-4.6%	4.7%	2.4%	-1.7%	1.3%	-4.0%	11.4%	28.0%
1990		0.9%	2.4%	-2.7%	9.2%	-0.9%	-0.5%	-9.4%	-5.1%	-0.7%	6.0%	2.8%	1.9%



Comparison of Annual Returns of Call Purchase Program 2 and S&P 500 Index

- Some gross features are evident when comparing the returns of Call Purchase Program 2 (CPP2) to the S&P 500 Index:

Year	CPP2	S&P 500	CPP2 - S&P 500
1990	-3.3%	1.9%	-5.2%
1991	26.7%	28.0%	-1.3%
1992	-1.2%	7.6%	-8.9%
1993	6.2%	9.8%	-3.6%
1994	-14.9%	1.8%	-16.8%
1995	80.8%	32.5%	48.4%
1996	48.0%	21.4%	26.6%
1997	58.1%	30.3%	27.8%
1998	31.3%	27.6%	3.7%
1999	17.9%	20.0%	-2.1%
2000	-16.8%	-8.2%	-8.6%
2001	-11.9%	-10.8%	-1.1%
2002	-21.6%	-22.7%	1.1%
2003	18.2%	26.1%	-7.9%
2004	6.5%	10.6%	-4.1%
2005	-3.1%	5.1%	-8.2%
2006	26.3%	14.9%	11.4%
2007	7.2%	5.8%	1.4%
2008	-26.2%	-43.2%	17.0%
2009	-0.5%	-0.7%	0.2%

Statistic	CPP2	S&P 500
Ann ROR	12%	8%
Avg Month ROR	1.0%	0.7%
Tot Ret from Inception	228%	170%
Program Lifetime	232 months	232 months
Best Month	17.0%	11.4%
Worst Month	-17.6%	-16.8%
Success Rate	55%	63%
Standard Deviation	19.6%	15.0%
Sharpe Ratio	0.6	0.5
Max Drawdown	54%	67%
Correlation to S&P	80%	100%
Min Rolling 12M ROR	-37%	-53%

- Because the calls are purchased at the money, they have no intrinsic value to start and could lose money even when the S&P Index rises. For example, between 1990 and the end of 1994 the rate of appreciation of the Index was not sufficient to counteract the effects of time decay, and the calls substantially underperformed the Index.
- Because their aggregate asymptotic delta is greater than 200 (i.e. 200% of the Index), the calls returned two or more times the appreciation of the Index between 1995 and 1998 when the market was rising strongly.
- These are only simulated results. Please read important disclosures at the beginning of this brochure.

Comparison of Annual Returns of Call Purchase Program 2 and S&P 500 Index

- More gross features:
 - The calls tend to underperform the Index even when the latter had a sustained (but not strong) rally, suggesting that the calls were priced rather richly by the market (i.e. their implied volatility were too high). This was the case between 1999 and 2005.
 - From 2000 to the present, CPP2 had a total net gain over the Index of only 1% with about the same amount of return volatility.
 - As expected, the calls outperformed the Index during the steep market decline that started in 2008.
 - While CPP2 outperformed the S&P 500 Index over the past 20 years, much of this outperformance was due to the strong bull market of the mid to late 1990s.

Cheapening the Calls through Dynamic Hedging

- As the simulations showed, paying \$20 of a \$100 principal to buy calls was not a good investment unless the stock market rallied strongly.
- We should try to cheapen the calls by recovering their time decay through some form of dynamic hedging or “gamma trading”.
- A naïve dynamic hedging strategy that does not account for mean reversion in the underlying index is suboptimal because it is statistically expected to recover only the time decay of the options. And it will do so only under idealized conditions unattainable in practice (e.g. ability to hedge continuously and frictionlessly) and when realized volatility is equal to implied volatility.
- We can do better if we employ a trading strategy that exploits mean reversion in the Index. With mean reversion as a source of alpha, we are much more likely to make money under real-life conditions – and to do so even without the calls or when the view is wrong.
- Such a strategy must endeavor to stay out of the market or tightly control its losses when the market rallies strongly, i.e. when there is no mean reversion, so that the value of the calls is preserved.
- It must hedge the calls, that is, utilize the protection they afford against upside risk to short the market at times expected to be opportune, such as near short-term market tops, to maximize profits from noisy price excursions.
- Finally, it must have the potential to produce profits if the market declines so that losses in the calls can be offset.
- In the following sections, we analyze the potential benefit of combining the Call Purchase Program with AIC Capital’s *Equity Index Timing Futures Strategy*.

AIC Capital's Equity Index Timing Futures Strategy (EITFS)

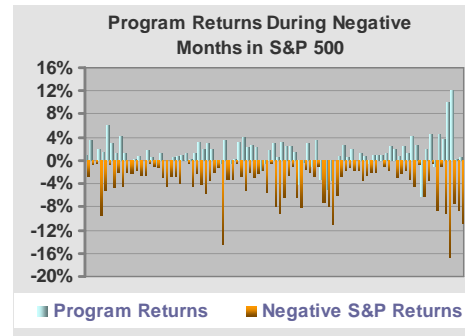
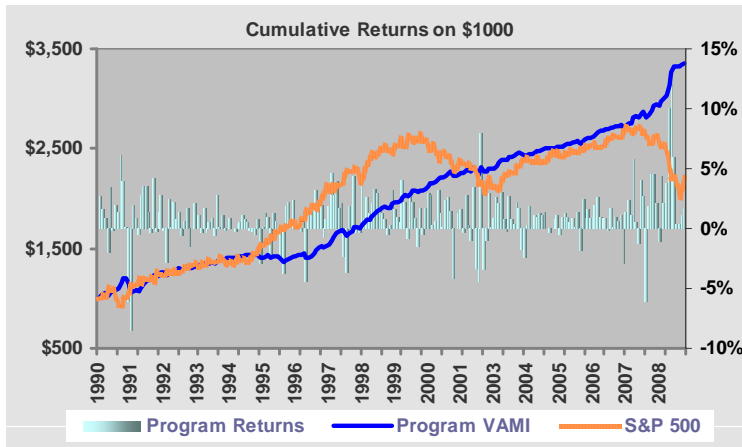
What is the EITFS?

- AIC Capital's *Equity Index Timing Futures Strategy (EITFS)* is a systematic mean reversion strategy that attempts to identify short-term tops and bottoms in global large market cap stock indices.
- It is currently being applied by AIC Capital to the S&P 500 and Nikkei 225 Indices with real capital at risk.
- The basic features of the EITFS are:
 - It is based entirely on the price behavior of the stock indices and, to a lesser extent, the price behaviors of stocks which are components of the indices.
 - The investment posture can be long, short or neutral. Positions are held for a period of 1 to 10 days with an average holding period of about 4 days. The strategy is in the market about 60% of the time.
 - Capital is deployed opportunistically and efficiently. The gross exposure of the strategy is less than 100% of equity on about 75% of the trading days. It reaches the maximum of 200% of equity allowed by the strategy only on 10% of the trading days.
 - Historically, the success rate of the trades is greater than 75%. Short-side trades are just as often profitable as long-side trades and are profitable in an absolute sense, i.e. not relative to the Index.
- The current implementation of EITFS at AIC Capital has 80% weight to S&P 500 Index and 20% weight to Nikkei 225 Index.

Historical Simulation of the EITFS

Return Highlights				Return/Risk					
MTD 04/30/09	1.7%	Ann ROR	12%	Best Month	12.1%	Sharpe Ratio	1.6	Inception Date	1/31/1990
YTD 2009	3.5%	Avg Month ROR	1.0%	Worst Month	-8.6%	Max Drawdown	15%	Management Fee	1.5%
Q1-2009	1.8%	Tot Ret from Inception	235%	Success Rate	75%	Correlation to S&P	-14%	Incentive Fee	15%
2008	44.0%	Program Lifetime	232 months	Standard Deviation	7.8%	Min Rolling 12M ROR	-8%	Strategy Type	

Year	Monthly Performance												YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2009	0.3%	0.4%	1.1%	1.7%									3.5%
2008	-6.1%	1.8%	4.5%	4.5%	2.1%	-1.1%	4.3%	2.1%	3.8%	10.0%	12.1%	5.9%	44.0%
2007	1.0%	0.7%	1.1%	-2.9%	1.4%	2.4%	1.1%	5.8%	0.5%	-1.2%	4.1%	2.6%	16.5%
2006	0.9%	1.6%	0.9%	1.0%	2.0%	2.6%	1.0%	0.9%	0.9%	-0.2%	1.7%	0.1%	13.3%
2005	0.7%	1.1%	-0.5%	1.0%	1.2%	1.0%	0.4%	0.9%	0.1%	1.3%	-1.9%	2.5%	7.8%
2004	-2.4%	0.3%	1.9%	0.1%	1.1%	1.0%	1.2%	1.1%	1.3%	0.0%	-0.4%	-0.0%	5.3%
2003	0.8%	2.6%	2.0%	3.1%	0.8%	-0.2%	2.7%	0.7%	0.4%	2.1%	1.7%	-1.7%	15.0%
2002	-0.4%	2.8%	0.2%	-1.0%	3.4%	-3.3%	-4.4%	7.9%	-3.4%	-1.0%	3.0%	0.1%	3.9%
2001	0.2%	0.6%	3.1%	1.2%	0.1%	2.4%	2.5%	1.5%	-4.1%	-0.1%	1.2%	1.6%	10.2%
2000	4.0%	2.1%	-0.9%	2.8%	2.2%	0.9%	-1.5%	1.7%	-0.5%	1.6%	3.0%	2.8%	18.3%
1999	2.0%	3.3%	2.9%	1.8%	1.2%	0.7%	-0.5%	0.3%	3.2%	1.6%	1.0%	0.5%	18.0%
1998	2.1%	-2.3%	-3.6%	1.8%	1.9%	4.4%	-0.4%	-0.4%	4.0%	0.8%	2.6%	1.3%	12.3%
1997	1.5%	2.1%	3.1%	2.4%	1.9%	-0.8%	0.7%	1.9%	4.7%	2.8%	3.9%	1.7%	25.8%
1996	-2.7%	-3.8%	1.8%	2.2%	0.6%	2.3%	0.2%	0.5%	-0.2%	1.5%	-4.4%	1.1%	-1.1%
1995	-0.1%	-0.2%	-0.5%	0.7%	-2.9%	0.1%	1.2%	1.0%	-2.4%	1.2%	0.6%	-0.1%	-1.5%
1994	0.1%	1.1%	-0.1%	0.7%	0.8%	-0.1%	-0.2%	0.4%	0.5%	1.0%	0.7%	0.5%	5.5%
1993	-1.4%	0.1%	2.0%	-0.0%	1.1%	-0.4%	1.7%	-0.4%	0.5%	0.9%	-0.6%	2.9%	6.4%
1992	1.3%	2.8%	-0.1%	-2.8%	2.4%	0.1%	2.2%	0.8%	1.3%	-0.7%	0.6%	1.7%	9.7%
1991	-6.2%	-8.6%	2.0%	0.9%	-0.5%	2.8%	3.6%	3.6%	1.3%	-0.4%	4.2%	-0.2%	2.4%
1990		2.7%	1.6%	0.9%	-1.9%	3.4%	-0.1%	2.0%	1.4%	6.1%	3.9%	0.1%	19.8%



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Combining the
Call Purchase Program
and the
Equity Index Timing Futures Strategy

The EITFS and CPP Have No Down Years In Common

- In simulations, the *EITFS* has 2 down years in the last 20, viz. 1995 and 1996, which corresponded to a strong bull market in stocks.
- In a strong bull market, volatility collapses and mean reversion becomes a muted effect, causing the EITFS to do poorly.
- On the other hand, the *Call Purchase Program* had huge run ups during these years, as can be seen in the yearly performance table below:

Year	EITFS	CPP2	\$20 CPP2 + \$80 EITFS	\$20 CPP2 + \$200 EITFS
1990	19.8%	-3.3%	12.6%	36.4%
1991	2.4%	26.7%	28.6%	31.5%
1992	9.7%	-1.2%	6.5%	18.2%
1993	6.4%	6.2%	11.3%	18.9%
1994	5.5%	-14.9%	-10.5%	-3.9%
1995	-1.5%	80.8%	79.6%	77.8%
1996	-1.1%	48.0%	47.1%	45.8%
1997	25.8%	58.1%	78.8%	109.7%
1998	12.3%	31.3%	41.2%	56.0%
1999	18.0%	17.9%	32.3%	53.8%
2000	18.3%	-16.8%	-2.2%	19.8%
2001	10.2%	-11.9%	-3.8%	8.4%
2002	3.9%	-21.6%	-18.5%	-13.8%
2003	15.0%	18.2%	30.2%	48.3%
2004	5.3%	6.5%	10.8%	17.2%
2005	7.8%	-3.1%	3.1%	12.5%
2006	13.3%	26.3%	37.0%	53.0%
2007	16.5%	7.2%	20.4%	40.2%
2008	44.0%	-26.2%	9.0%	61.9%
2009 Apr YTD	3.5%	-0.5%	2.3%	6.4%

- The correlation of the simulated annual returns of EITFS and CPP2 has been -0.29.
- In simulations, EITFS has tended to dominate CPP2 in any portfolio optimization in which the optimality criterion is the maximization of the Sharpe ratio.
- We will henceforth in this presentation state the weighting to CPP2 in terms of the total premium spent on the calls. Thus, a \$20 weighting to CPP2 means \$20 is spent as option premium.

- Because all returns are generated using futures or options on futures, they can be combined at a wide range of different leverage levels, subject only to margin requirements and the risk of ruin. For example, in the unlevered combination of \$20 for CPP2 and \$80 for EITFS, only approximately \$28 of the \$100 (\$20 for the calls and \$8 for EITFS) is needed for initial margin requirements.

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The EITFS can be an Effective Hedge to the Call Purchase Program

- Correlations table of simulated monthly returns:

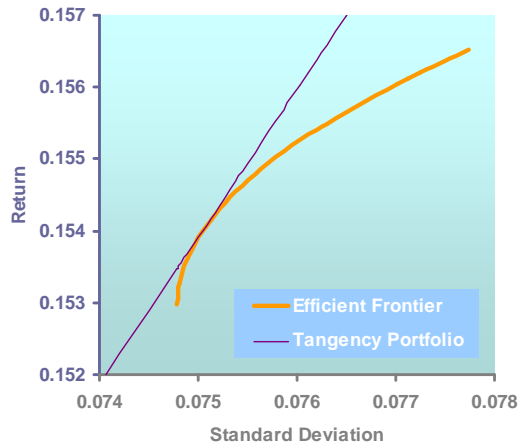
	S&P	CPP2	EITFS	VIX
S&P	1.00	0.80	-0.14	-0.38
CPP2	0.80	1.00	-0.17	-0.27
EITFS	-0.14	-0.17	1.00	0.31
VIX	-0.38	-0.27	0.31	1.00

- The EITFS is negatively correlated to the S&P 500 Index and CPP2.
- It enjoys the distinction of being short volatility in concept (because it exploits mean reversion and therefore carries event risk) and yet in practice has a highly positive correlation to the level of the VIX Index.
- The positive correlation comes from “alpha compensation” – that is, there are greater alpha opportunities when the VIX Index is high.

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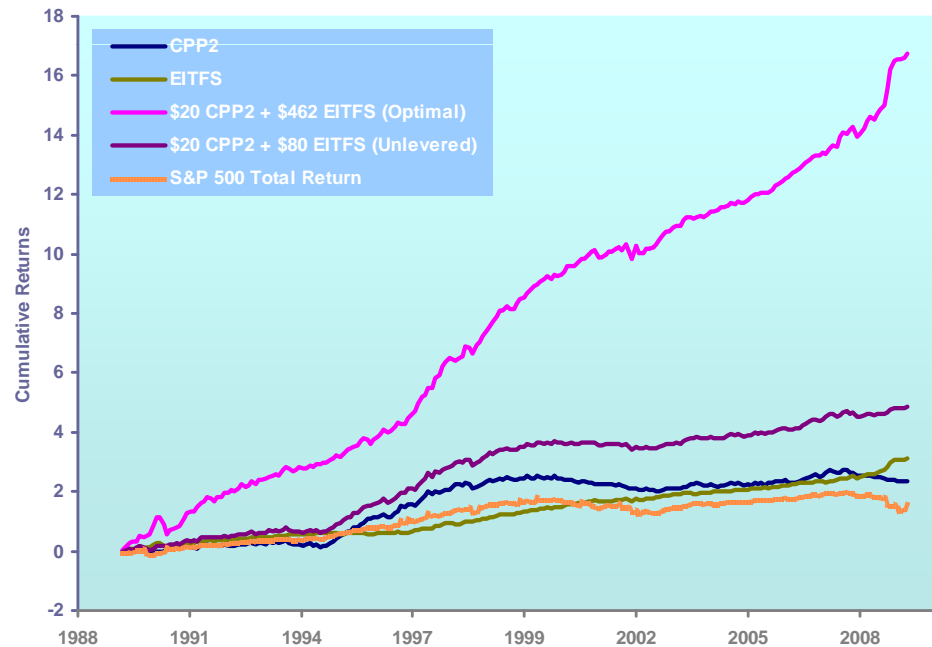
The Optimal Combination of CPP2 and EITFS

- From a mean-variance optimality point of view, the EITFS dominates CPP1 or CPP2 (i.e. takes up much more weighting) owing to the former's much higher Sharpe ratio.



- An unconstrained optimization shows that the highest Sharpe ratio (corresponding to the tangency portfolio) for the combination is achieved when EITFS has an allocation of \$462 for every \$20 worth of calls purchased by CPP2. This Sharpe ratio is about 2.1.

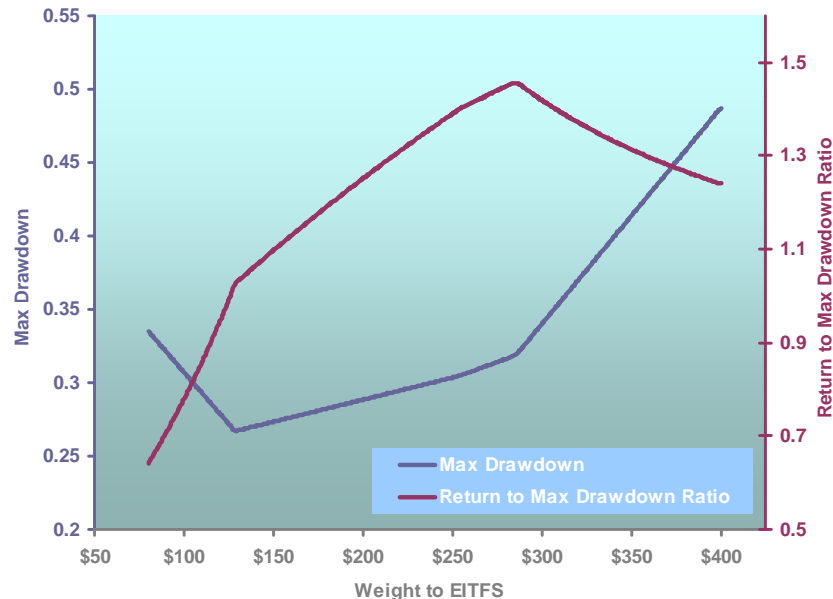
- The cumulative returns of CPP2, EITFS, the optimal combination of CPP2 and EITFS, where the latter has a \$462 allocation, and the unlevered combination of CPP2 and EITFS, where the latter has a \$80 allocation, are shown to the left.



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Optimal Combination From a Return-to-Drawdown Perspective

- Clearly it is unrealistic to allocate \$462 of a \$100 investment to the EITFS as stipulated by the mean-variance optimal portfolio.
- A reasonable alternative is to compute the historical maximum drawdowns of the combination with different EITFS allocations (and with fixed \$20 allocation to CPP2) and determine the combination for which the maximum drawdown is lowest or for which the return-to-maximum drawdown ratio is the highest.



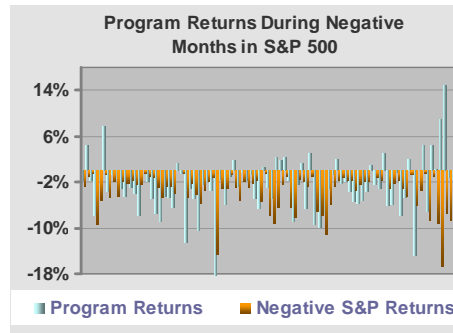
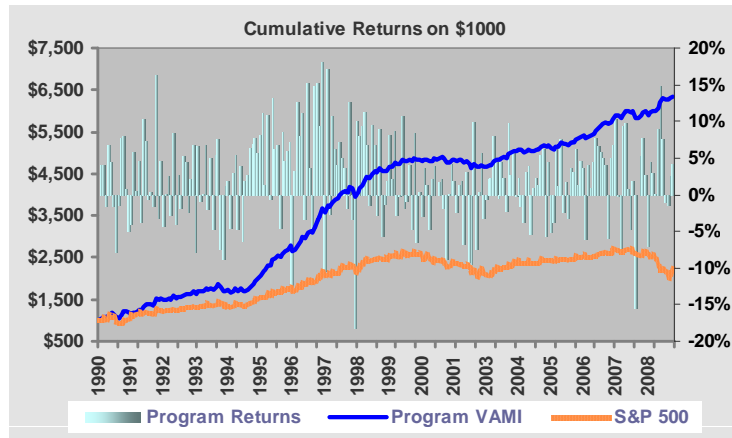
- The lowest drawdown of 27% is attained when the weight to EITFS is about \$130.
- As shown in the graph, the return-to-maximum drawdown ratio reaches its highest value for EITFS weight at \$286.
- Here a weight of \$286 means a leveraged allocation of \$286 to the EITFS.
- With an EITFS weight of \$286, the combination has a maximum drawdown of about 32%.

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Simulated Performance Capsule for CPP2 at \$20 Plus EITFS at \$130

Return Highlights				Return/Risk					
MTD 04/30/09	4.1%	Ann ROR	28%	Best Month	18.0%	Sharpe Ratio	1.3	Inception Date	1/31/1990
YTD 2009	4.0%	Avg Month ROR	2.3%	Worst Month	-18.2%	Max Drawdown	26%	Management Fee	0.5% / 1.5%
Q1-2009	-0.1%	Tot Ret from Inception	532%	Success Rate	66%	Correlation to S&P	70%	Incentive Fee	0% / 15%
2008	31.1%	Program Lifetime	232 months	Standard Deviation	20.5%	Min Rolling 12M ROR	-26%	Strategy Type	

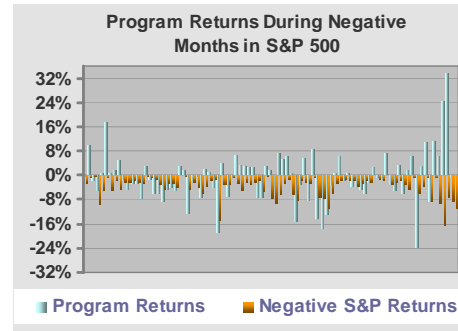
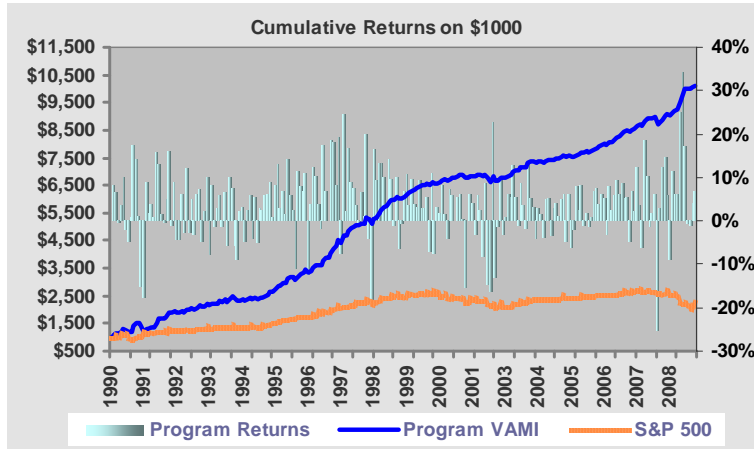
Year	Monthly Performance												YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2009	-1.2%	-1.4%	2.4%	4.1%									4.0%
2008	-15.5%	-0.1%	5.1%	7.6%	2.6%	-7.1%	4.4%	2.8%	0.1%	8.8%	14.7%	7.5%	31.1%
2007	4.0%	-5.9%	5.1%	6.7%	10.2%	-0.3%	-7.8%	9.3%	9.7%	0.7%	-4.8%	1.9%	28.6%
2006	6.1%	1.3%	4.6%	3.5%	-6.2%	3.9%	0.9%	4.3%	7.7%	6.5%	5.8%	5.1%	43.6%
2005	-5.8%	4.4%	-5.1%	-3.8%	6.1%	1.0%	7.5%	-2.4%	1.7%	-3.3%	3.7%	3.1%	7.0%
2004	-0.4%	2.3%	-1.6%	-3.8%	2.9%	3.7%	-5.4%	0.9%	2.2%	1.2%	5.3%	6.1%	13.5%
2003	-0.6%	2.1%	2.3%	7.9%	4.3%	-0.6%	4.3%	2.3%	-2.3%	9.7%	2.6%	5.8%	37.7%
2002	-2.5%	1.3%	1.9%	-6.7%	3.1%	-9.3%	-9.4%	9.8%	-7.5%	0.3%	5.5%	-3.2%	-16.5%
2001	1.2%	-4.8%	2.1%	3.8%	-0.2%	1.6%	2.1%	-1.8%	-8.8%	0.0%	4.3%	1.8%	1.3%
2000	-2.8%	-0.3%	10.6%	-1.8%	-0.8%	4.1%	-4.8%	8.4%	-6.6%	0.4%	-3.1%	3.7%	7.0%
1999	6.8%	-1.5%	9.4%	6.8%	-2.9%	8.9%	-5.8%	-1.2%	1.8%	8.1%	2.0%	8.7%	41.3%
1998	4.1%	7.0%	5.0%	3.7%	-1.9%	12.7%	-3.5%	-18.2%	10.0%	7.9%	9.3%	11.2%	47.3%
1997	15.1%	3.6%	-5.0%	14.6%	15.1%	9.3%	18.0%	-10.4%	17.1%	-2.6%	10.6%	6.1%	91.7%
1996	6.8%	-4.7%	8.4%	4.5%	5.9%	7.1%	-12.6%	3.1%	12.6%	7.8%	11.0%	-3.3%	46.6%
1995	2.7%	6.3%	6.9%	7.7%	5.5%	8.1%	11.0%	1.2%	10.8%	-0.6%	13.1%	6.1%	78.8%
1994	7.5%	-7.5%	-8.8%	1.0%	1.8%	-4.6%	2.9%	5.3%	-4.7%	3.7%	-6.3%	1.8%	-7.8%
1993	-2.4%	2.0%	6.7%	-7.9%	6.5%	-0.8%	0.0%	6.6%	-2.0%	5.0%	-4.8%	5.4%	14.4%
1992	-3.2%	4.6%	-4.3%	0.1%	2.5%	-2.9%	8.4%	-4.0%	2.6%	-1.9%	5.2%	4.3%	11.4%
1991	-5.0%	-4.0%	5.8%	0.5%	4.5%	-3.8%	10.2%	7.3%	-0.7%	0.3%	-1.7%	16.4%	29.8%
1990		4.0%	4.0%	-1.6%	6.6%	4.5%	-1.7%	-7.9%	-1.6%	7.7%	7.8%	0.8%	22.5%



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Simulated Performance Capsule for CPP2 at \$20 Plus EITFS at \$290

Return Highlights				Return/Risk									
MTD 04/30/09	6.8%	Ann ROR	47%	Best Month	34.0%	Sharpe Ratio	1.7	Inception Date	1/31/1990				
YTD 2009	9.6%	Avg Month ROR	3.9%	Worst Month	-25.4%	Max Drawdown	33%	Management Fee	0.5% / 1.5%				
Q1-2009	2.8%	Tot Ret from Inception	903%	Success Rate	72%	Correlation to S&P	35%	Incentive Fee	0% / 15%				
2008	101.5%	Program Lifetime	232 months	Standard Deviation	27.4%	Min Rolling 12M ROR	-30%	Strategy Type					
Monthly Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	-0.6%	-0.8%	4.2%	6.8%									9.6%
2008	-25.4%	2.9%	12.3%	14.9%	6.0%	-8.8%	11.4%	6.2%	6.2%	24.8%	34.0%	17.0%	101.5%
2007	5.5%	-4.9%	6.9%	2.0%	12.5%	3.5%	-6.0%	18.5%	10.5%	-1.3%	1.7%	6.1%	55.0%
2006	7.6%	3.8%	6.1%	5.2%	-3.0%	8.0%	2.4%	5.7%	9.2%	6.2%	8.5%	5.3%	65.0%
2005	-4.6%	6.1%	-6.0%	-2.2%	8.0%	2.6%	8.1%	-1.0%	1.9%	-1.2%	0.7%	7.0%	19.5%
2004	-4.2%	2.8%	1.4%	-3.6%	4.8%	5.3%	-3.4%	2.7%	4.3%	1.2%	4.7%	6.1%	22.0%
2003	0.7%	6.2%	5.5%	12.8%	5.5%	-0.9%	8.7%	3.5%	-1.6%	13.1%	5.3%	3.1%	61.8%
2002	-3.1%	5.9%	2.3%	-8.3%	8.5%	-14.6%	-16.4%	22.5%	-12.9%	-1.3%	10.3%	-3.0%	-10.2%
2001	1.6%	-4.0%	7.1%	5.8%	-0.1%	5.4%	6.2%	0.5%	-15.4%	-0.1%	6.2%	4.3%	17.6%
2000	3.7%	3.2%	9.2%	2.6%	2.7%	5.4%	-7.2%	11.1%	-7.3%	3.0%	1.7%	8.2%	36.3%
1999	10.1%	3.8%	14.1%	9.7%	-1.0%	10.1%	-6.6%	-0.8%	6.8%	10.7%	3.6%	9.5%	70.0%
1998	7.5%	3.4%	-0.9%	6.6%	1.2%	19.8%	-4.1%	-18.8%	16.5%	9.2%	13.4%	13.3%	67.1%
1997	17.5%	6.8%	0.0%	18.4%	18.1%	8.1%	19.2%	-7.4%	24.7%	1.9%	16.8%	8.8%	132.9%
1996	2.4%	-10.8%	11.3%	8.1%	6.8%	10.9%	-12.4%	3.9%	12.2%	10.2%	3.9%	-1.7%	44.8%
1995	2.5%	5.9%	6.1%	8.8%	0.9%	8.2%	12.9%	2.8%	6.9%	1.4%	14.0%	6.0%	76.4%
1994	7.7%	-5.8%	-8.9%	2.2%	3.1%	-4.6%	2.6%	6.0%	-4.0%	5.4%	-5.2%	2.6%	1.1%
1993	-4.6%	2.1%	9.9%	-7.9%	8.3%	-1.4%	2.8%	6.0%	-1.2%	6.4%	-5.9%	10.0%	24.6%
1992	-1.1%	9.1%	-4.4%	-4.3%	6.4%	-2.7%	11.9%	-2.8%	4.7%	-3.0%	6.1%	7.1%	26.9%
1991	-14.8%	-17.7%	9.0%	1.9%	3.7%	0.7%	15.9%	13.1%	1.4%	-0.3%	4.9%	16.0%	33.7%
1990		8.2%	6.5%	-0.2%	3.6%	9.8%	-1.9%	-4.8%	0.6%	17.5%	14.0%	1.0%	54.3%



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The CPP2 as a Hedge to the EITFS

- Thus far we have considered CPP2 as the core strategy with EITFS acting as a dynamic hedge.
- In our simulation, we have fixed the weight of CPP2 by fixing the amount of money spent on the calls and varied the weight of EITFS to find the best combination.
- Suppose we turn the tables around and regard EITFS as the core and CPP2 as the hedge. What would be the investment outcome in this case?
- Because the least favorable environment for the EITFS is a strongly rising market, a small admixture of CPP2 to protect against a runaway up market would significantly improve the overall Sharpe ratio of the combination.
- In the simulation, the best hypothetical unlevered combinations are:

	Weights		Annual Return	Sharpe Ratio	Max Drawdown
	EITFS	CPP2			
Highest Sharpe Ratio	\$83	\$3.4	11.8%	1.8	10.4%
Lowest Max Drawdown	\$74	\$5.2	12.1%	1.7	8.2%
No Down Years in the Past 20	\$85	\$3.0	12.1%	1.8	11.0%

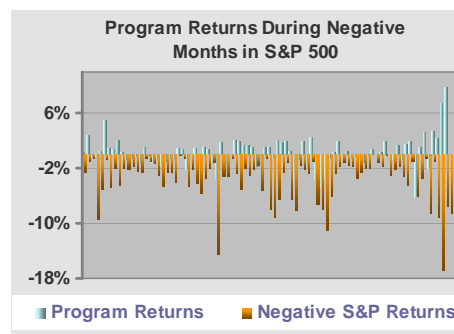
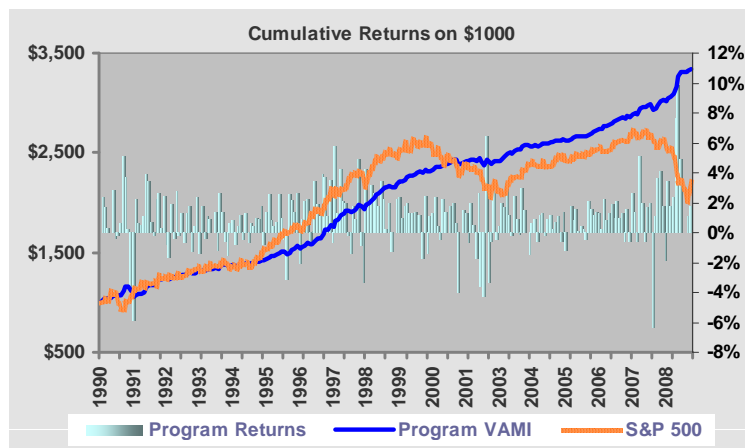
- On the next slide, we present a simulated performance capsule for the unlevered combination with the highest Sharpe Ratio.
- As noted earlier, we state the weighting to CPP2 in terms of the total premium spent on the calls. Thus, in the table above, a \$3.4 weighting to CPP2 means \$3.4 is spent as option premium.

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Simulated Performance Capsule for Highest Sharpe Ratio Unlevered Combination of EITFS (\$83) and CPP2 (\$3.4)

Return Highlights				Return/Risk					
MTD 04/30/09	1.7%	Ann ROR	12%	Best Month	9.9%	Sharpe Ratio	1.8	Inception Date	1/31/1990
YTD 2009	2.8%	Avg Month ROR	1.0%	Worst Month	-6.4%	Max Drawdown	10%	Management Fee	1.5% / 0.5%
Q1-2009	1.1%	Tot Ret from Inception	233%	Success Rate	73%	Correlation to S&P	7%	Incentive Fee	15% / 0%
2008	32.1%	Program Lifetime	232 months	Standard Deviation	6.8%	Min Rolling 12M ROR	-6%	Strategy Type	

Year	Monthly Performance												YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2009	0.0%	-0.0%	1.1%	1.7%									2.8%
2008	-6.4%	1.1%	3.6%	4.1%	1.7%	-1.9%	3.4%	1.8%	2.3%	7.6%	9.9%	4.9%	32.1%
2007	1.3%	-0.6%	1.5%	-0.6%	2.6%	1.4%	-0.6%	5.1%	1.9%	-0.6%	1.7%	1.9%	14.9%
2006	1.6%	1.2%	1.3%	1.2%	0.2%	2.2%	0.7%	1.3%	1.9%	2.0%	2.0%	0.9%	15.5%
2005	-0.5%	1.4%	-1.2%	-0.0%	1.8%	0.8%	1.5%	0.1%	0.4%	0.2%	-0.5%	2.0%	5.9%
2004	-1.5%	0.6%	0.9%	-0.6%	1.2%	1.2%	-0.2%	0.8%	1.2%	0.2%	0.7%	1.0%	5.5%
2003	0.4%	1.9%	1.6%	3.2%	1.2%	-0.2%	2.4%	0.8%	-0.1%	2.9%	1.5%	-0.0%	15.6%
2002	-0.7%	2.0%	0.5%	-1.7%	2.6%	-3.6%	-4.3%	6.5%	-3.3%	-0.6%	2.7%	-0.5%	-0.4%
2001	0.3%	-0.5%	2.3%	1.4%	0.0%	1.7%	1.9%	0.6%	-4.0%	-0.0%	1.5%	1.3%	6.4%
2000	2.0%	1.3%	1.2%	1.4%	1.2%	1.2%	-1.7%	2.5%	-1.4%	1.1%	1.3%	2.3%	12.3%
1999	2.4%	1.8%	3.4%	2.3%	0.2%	2.0%	-1.3%	-0.0%	2.2%	2.4%	0.9%	1.8%	18.0%
1998	2.0%	-0.2%	-1.4%	1.8%	0.8%	4.9%	-0.8%	-3.3%	4.2%	1.8%	3.2%	2.7%	15.6%
1997	3.5%	1.9%	1.0%	3.9%	3.7%	1.1%	3.5%	-0.6%	5.8%	1.3%	4.2%	2.1%	31.3%
1996	-0.5%	-3.1%	2.5%	2.1%	1.4%	2.6%	-2.0%	0.8%	2.0%	2.2%	-0.8%	0.1%	7.3%
1995	0.4%	0.9%	0.9%	1.7%	-0.8%	1.4%	2.6%	0.8%	0.4%	0.7%	2.6%	1.0%	12.5%
1994	1.4%	-0.6%	-1.5%	0.6%	0.8%	-0.8%	0.4%	1.2%	-0.5%	1.3%	-0.6%	0.6%	2.0%
1993	-1.3%	0.4%	2.4%	-1.3%	1.8%	-0.4%	1.1%	0.9%	-0.0%	1.4%	-1.2%	2.7%	6.3%
1992	0.3%	2.5%	-0.8%	-1.7%	1.9%	-0.4%	2.8%	-0.2%	1.2%	-0.7%	1.2%	1.8%	7.9%
1991	-4.6%	-5.9%	2.2%	0.6%	0.5%	1.1%	3.9%	3.4%	0.7%	-0.2%	2.2%	2.6%	6.6%
1990		2.3%	1.6%	0.3%	-0.0%	2.8%	-0.4%	-0.2%	0.6%	5.0%	3.7%	0.2%	15.9%



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Combining the
Call Purchase Program,
Equity Index Timing Futures Strategy,
and the Accordant Strategy

What is the Accordant Strategy?

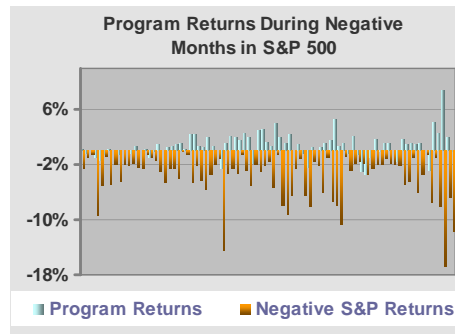
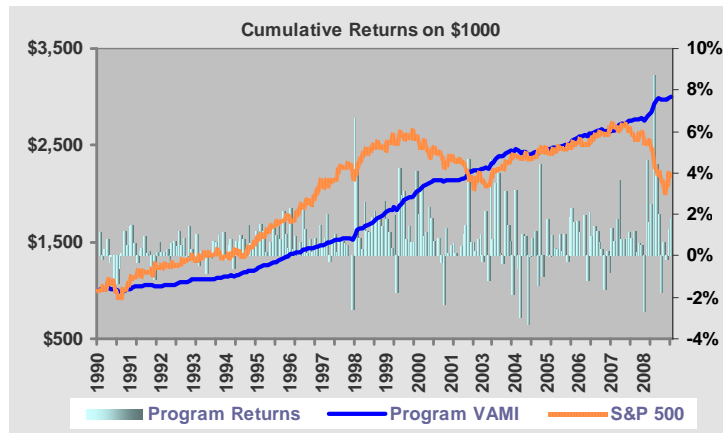
- The Accordant Strategy is AIC Capital's flagship price-based quantitative equity program for global large market cap stocks.
- The strategy seeks to exploit mean reversion in stock prices by trading "accentuated volatility" events in single stock names caused by bursts of elevated liquidity demand.
- It relies on the signature of price displacements near the extremes of trading ranges (among other features) to identify prices that will revert with high probability and places bets that last from less than one trading day to about two weeks.
- It deploys capital very opportunistically with gross exposures ranging from a few percent to a maximum of 400% of equity as prospects change. The average gross exposure is 50% with daily values staying below one times equity on 96% of the trading days.
- Low capital usage notwithstanding, the strategy is expected to produce reasonable returns from its high alpha bets during normal times and even better returns in times of market turmoil.
- The strategy is approximately market neutral with a beta that ranges between -0.25 and +0.25.
- The strategy is currently applied to large market cap stocks in the U.S. and Japan.

Simulated and Hypothetically Derived Performance Capsule for the Accordant Strategy

Return Highlights				Return/Risk					
MTD 05/31/09	1.7%	Ann ROR	10%	Best Month	8.7%	Sharpe Ratio	2.1	Inception Date	1/31/1990
YTD 2009	1.6%	Avg Month ROR	0.9%	Worst Month	-3.3%	Max Drawdown	5%	Management Fee	2.0%
Q1-2009	-1.3%	Tot Ret from Inception	200%	Success Rate	82%	Correlation to S&P	0%	Incentive Fee	20%
2008	24.4%	Program Lifetime	233 months	Standard Deviation	4.9%	Min Rolling 12M ROR	-2%	Strategy Type	

Year	Monthly Performance												YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2009	-1.8%	0.6%	-0.2%	1.3%	1.7%								1.6%
2008	0.9%	1.2%	0.2%	0.6%	0.5%	-2.7%	4.1%	2.4%	2.5%	8.7%	4.4%	2.0%	27.1%
2007	0.3%	-1.6%	0.3%	-0.8%	1.3%	0.7%	1.7%	3.7%	0.8%	0.8%	0.9%	1.1%	9.4%
2006	2.3%	1.6%	1.7%	1.1%	0.1%	1.9%	-1.2%	2.1%	0.9%	1.4%	1.2%	0.6%	14.6%
2005	-1.0%	-0.0%	1.8%	-0.0%	1.0%	0.4%	0.3%	1.1%	0.3%	1.1%	-0.2%	1.9%	6.5%
2004	-1.9%	3.2%	-0.6%	-3.0%	1.0%	0.9%	-3.3%	-0.0%	0.8%	1.2%	-1.4%	4.4%	1.0%
2003	-0.2%	2.1%	-1.2%	4.7%	0.8%	3.5%	4.0%	0.1%	-0.4%	3.1%	1.4%	0.7%	20.0%
2002	0.6%	0.1%	0.1%	0.4%	1.1%	1.5%	4.7%	0.6%	0.6%	0.2%	0.8%	1.1%	12.3%
2001	0.9%	1.1%	2.4%	1.8%	0.7%	0.0%	0.8%	-0.3%	-2.4%	1.3%	0.1%	0.5%	7.1%
2000	1.9%	-1.7%	4.2%	2.9%	3.1%	0.8%	1.4%	0.7%	0.7%	4.1%	2.0%	3.3%	25.6%
1999	2.5%	1.2%	1.1%	1.9%	2.1%	1.7%	1.8%	1.4%	2.6%	1.7%	1.1%	0.4%	21.5%
1998	1.1%	0.2%	0.8%	0.7%	0.6%	0.5%	-0.0%	-2.6%	6.6%	4.2%	0.8%	0.3%	13.8%
1997	1.2%	0.1%	0.7%	0.2%	0.8%	0.5%	1.5%	0.5%	0.9%	2.0%	-0.2%	0.8%	9.5%
1996	1.0%	1.4%	0.8%	2.1%	1.0%	0.4%	2.3%	0.3%	0.9%	0.1%	0.7%	2.2%	14.0%
1995	0.2%	1.5%	0.6%	0.5%	1.2%	1.3%	1.5%	1.2%	0.2%	0.2%	0.6%	1.4%	10.9%
1994	0.6%	1.0%	0.0%	1.1%	-0.1%	0.5%	0.8%	-0.6%	0.7%	0.7%	1.0%	0.8%	6.6%
1993	-0.0%	1.4%	0.3%	0.0%	1.1%	-0.5%	0.3%	0.1%	-0.9%	-0.0%	-0.1%	0.7%	2.4%
1992	0.1%	0.7%	0.2%	0.2%	0.3%	-0.4%	0.6%	0.7%	0.4%	1.2%	0.5%	0.9%	5.4%
1991	0.5%	1.4%	1.5%	0.6%	-0.3%	0.2%	0.4%	0.9%	0.1%	0.2%	-0.5%	-1.2%	3.9%
1990		1.1%	-0.2%	0.3%	0.8%	-0.3%	-0.0%	-1.0%	-1.3%	-0.6%	0.1%	1.2%	0.0%

Source: Feb 1990 – Jul 2002 are simulated. Aug 2002 – May 2009 are hypothetically derived returns ("TR2") from the Accordant Strategy pitchbook. Please refer to the pitchbook for the important disclosures.



These are only simulated results. Please read important disclosures at the beginning of this brochure.

Combining the Accordant Strategy with CPP2 and EITFS

- The annual returns of the Accordant Strategy, CPP2, EITFS and S&P 500 Index:

Year	S&P 500	CPP2	EITFS	Accordant
1990	1.9%	-3.3%	19.8%	0.0%
1991	28.0%	26.7%	2.4%	3.9%
1992	7.6%	-1.2%	9.7%	5.4%
1993	9.8%	6.2%	6.4%	2.4%
1994	1.8%	-14.9%	5.5%	6.6%
1995	32.5%	80.8%	-1.5%	10.9%
1996	21.4%	48.0%	-1.1%	14.0%
1997	30.3%	58.1%	25.8%	9.5%
1998	27.6%	31.3%	12.3%	13.8%
1999	20.0%	17.9%	18.0%	21.5%
2000	-8.2%	-16.8%	18.3%	25.6%
2001	-10.8%	-11.9%	10.2%	7.1%
2002	-22.7%	-21.6%	3.9%	12.3%
2003	26.1%	18.2%	15.0%	20.0%
2004	10.6%	6.5%	5.3%	1.0%
2005	5.1%	-3.1%	7.8%	6.5%
2006	14.9%	26.3%	13.3%	14.6%
2007	5.8%	7.2%	16.5%	9.4%
2008	-43.2%	-26.2%	44.0%	27.1%
2009 Apr YTD	-0.7%	-0.5%	3.5%	-0.0%

- The correlations of monthly returns:

	S&P 500	VIX	CPP2	EITFS	Accordant
S&P 500	1.00	-0.38	0.80	-0.14	0.04
VIX	-0.38	1.00	-0.27	0.31	0.26
CPP2	0.80	-0.27	1.00	-0.17	0.09
EITFS	-0.14	0.31	-0.17	1.00	0.28
Accordant	0.04	0.26	0.09	0.28	1.00

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Combining the Accordant Strategy with CPP2 and EITFS

- Because the Accordant Strategy has a higher Sharpe ratio than EITFS and CPP2, it will dominate the latter two strategies in most portfolio optimization procedures.
- Our analysis gives the following weighting schemes corresponding to different optimality conditions:

		Weights			Annual Return	Sharpe Ratio	Max Drawdown
		CPP2	EITFS	Accordant			
1	Fixed \$20 to CPP2, Mean-Variance Optimal and Unconstrained	\$20	\$464	\$1,083	180.3%	2.4	52.1%
2	Fixed \$20 to CPP2, \$80 to EITFS and Accordant, Unlevered and Lowest Max Drawdown	\$20	\$0	\$80	20.0%	1.0	28.0%
3	Fixed \$20 to CPP2, \$80 to EITFS and Accordant, Unlevered and Highest Return-to-Max Drawdown Ratio	\$20	\$0	\$80	20.0%	1.0	28.0%
4	Mean-Variance Optimal and Unlevered	\$1.2	\$28	\$66	10.9%	2.4	3.2%
5	Lowest Max Drawdown and Unlevered	\$1.0	\$23	\$72	10.8%	2.4	3.1%
6	Highest Return-to-Max Drawdown Ratio and Unlevered	\$1.0	\$23	\$72	10.8%	2.4	3.1%
7	Highest Return and Unlevered	\$0	\$100	\$0	12.2%	1.6	14.7%
8	Fixed \$20 to CPP2, \$80 to EITFS and Accordant, Highest Value-Added and Unlevered	\$20	\$70	\$10	21.3%	1.1	32.3%
9	Fixed \$20 to CPP2, \$130 to EITFS and Accordant, Highest Value-Added	\$20	\$83	\$47	26.7%	1.3	22.4%

- As noted earlier, we state the weighting to CPP2 in terms of the total premium spent on the calls. Thus, in the table above, a \$1.2 weighting to CPP2 means \$1.2 is spent as option premium.

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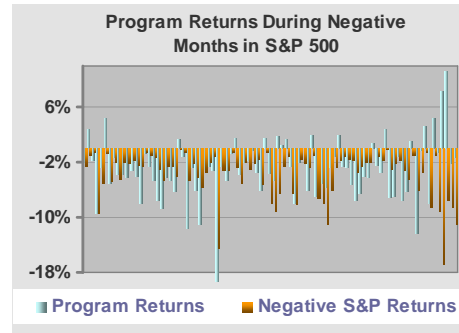
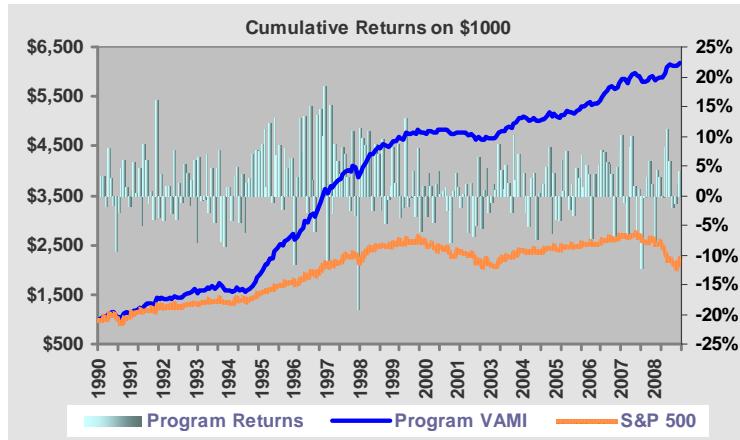
Combining the Accordant Strategy with CPP2 and EITFS

- Referring to the table on the previous slide, it is seen that the Accordant strategy trumps EITFS in risk-adjusted return, loading the optimized portfolio mostly on itself for all criteria 1 through 6.
- Because EITFS has more return and more risk per dollar invested, it wins according to criterion 7, which is return regardless of risk, and criteria 8 and 9.
- Criteria 8 and 9 correspond to the use of a “value-added” measure in the form of $\mu - \lambda\sigma$, where μ is the expected return, σ is the risk measure (which can be return volatility or drawdown), and λ is a tunable parameter that represents our aversion to risk.
- By adjusting λ , we obtain a sliding scale of weighting between Accordant and EITFS. Larger values of λ would push more weight to Accordant and smaller values more weight to EITFS.
- Because EITFS has more return and risk per dollar invested, it is favored when we constrain the total dollar to \$80 after allocating \$20 to the calls. If we allow leverage and investments beyond \$80, then the Accordant Strategy will be favored again.
- Since the Accordant strategy is approximately market neutral, it is largely self-financing (i.e. its long positions are paid for by short sale proceeds) and can be levered up more if desired. If we lever up to 150% of the original \$100 investment as in criterion 9, we can obtain a combination with higher Sharpe ratio and lower drawdowns and still remain true to the original investment thesis of buying enough calls to capture a runaway up market.

Simulated Performance Capsule for Combination No. 9: CPP2 (\$20) + EITFS (\$83) + Accordant (\$47)

Return Highlights				Return/Risk					
MTD 04/30/09	4.0%	Ann ROR	27%	Best Month	18.4%	Sharpe Ratio	1.3	Inception Date	1/31/1990
YTD 2009	2.3%	Avg Month ROR	2.2%	Worst Month	-19.2%	Max Drawdown	22%	Management Fee	0.5%/1.5%/2%
Q1-2009	-1.6%	Tot Ret from Inception	515%	Success Rate	66%	Correlation to S&P	74%	Incentive Fee	0%/15%/20%
2008	22.0%	Program Lifetime	232 months	Standard Deviation	20.2%	Min Rolling 12M ROR	-21%	Strategy Type	

Year	Monthly Performance												YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2009	-2.1%	-1.3%	1.8%	4.0%									2.3%
2008	-12.3%	-0.4%	3.1%	5.8%	1.9%	-7.9%	4.3%	2.9%	-0.5%	8.2%	11.1%	5.7%	22.0%
2007	3.6%	-7.0%	4.7%	7.7%	10.2%	-1.1%	-7.5%	8.3%	9.9%	1.6%	-6.3%	1.2%	25.1%
2006	6.8%	1.3%	5.0%	3.6%	-7.1%	3.6%	-0.1%	4.9%	7.8%	7.2%	5.6%	5.3%	43.8%
2005	-6.6%	3.9%	-4.1%	-4.3%	6.0%	0.7%	7.4%	-2.3%	1.8%	-3.4%	4.5%	2.8%	6.3%
2004	-0.1%	3.7%	-2.8%	-5.2%	2.9%	3.7%	-7.5%	0.3%	2.0%	1.7%	4.8%	8.2%	11.6%
2003	-1.1%	1.8%	0.7%	8.7%	4.3%	1.2%	4.9%	2.0%	-2.7%	10.1%	2.5%	6.9%	39.4%
2002	-2.1%	0.1%	1.8%	-6.1%	2.0%	-7.0%	-5.1%	6.4%	-5.6%	0.9%	4.5%	-2.7%	-12.9%
2001	1.6%	-4.6%	1.7%	4.1%	0.1%	0.5%	1.3%	-2.7%	-8.0%	0.7%	3.8%	1.3%	-0.2%
2000	-3.8%	-2.1%	13.0%	-1.8%	-0.4%	4.0%	-3.4%	7.9%	-6.0%	1.5%	-3.5%	3.9%	9.3%
1999	7.1%	-2.5%	8.6%	6.8%	-2.5%	9.3%	-4.6%	-0.6%	1.5%	8.2%	2.1%	8.7%	42.0%
1998	3.6%	8.2%	7.0%	3.2%	-2.5%	10.8%	-3.3%	-19.2%	11.2%	9.5%	8.4%	10.8%	47.8%
1997	15.0%	2.6%	-6.1%	13.6%	10.0%	18.4%	-11.1%	15.3%	-2.9%	8.7%	5.7%	8.7%	83.8%
1996	8.5%	-2.2%	8.0%	4.5%	6.1%	6.2%	-11.6%	3.0%	13.1%	7.2%	13.4%	-2.8%	53.3%
1995	2.9%	7.0%	7.4%	7.6%	7.4%	8.7%	11.2%	1.3%	12.1%	-1.1%	13.1%	6.8%	84.4%
1994	7.7%	-7.6%	-8.7%	1.2%	1.4%	-8.7%	3.4%	4.9%	-4.6%	3.5%	-6.2%	2.0%	-7.3%
1993	-1.7%	2.7%	5.9%	-7.8%	6.5%	-0.8%	-0.7%	6.9%	-2.7%	4.6%	-4.6%	4.4%	12.6%
1992	-3.7%	3.6%	-4.2%	1.5%	1.5%	-3.1%	7.6%	-4.1%	2.2%	-1.1%	5.2%	3.9%	9.3%
1991	-1.9%	0.7%	5.5%	0.4%	4.6%	-5.0%	8.7%	6.1%	-1.3%	0.6%	-3.9%	16.0%	30.5%
1990		3.2%	3.2%	-1.9%	7.9%	2.7%	-1.7%	-9.3%	-2.8%	4.5%	6.1%	1.3%	13.2%



These are only simulated results. Please read important disclosures at the beginning of this brochure.

Investment Risks of the Strategies

Investment Risks of the Strategies

- The adage that *if it looks too good to be true, it probably is* no doubt applies to the analysis described in this brochure. The analysis must therefore be viewed in the light of the real risks involved in any investment in the strategies analyzed.
- Risks that should be highlighted include the following:
 - Simulated performance results are used throughout the analysis and are subject to many shortcomings described at the beginning of the brochure.
 - The Call Purchase Program, CPP2, is simulated using an approximate pricing method described on page 7 that does not involve historical market prices of the options. Therefore this method may grossly misrepresent the purchase cost and mark-to-market values of the options in reality.
 - The time series of returns for the Accordant Strategy presented on page 28 is derived from a concatenation of actual trading results and simulated results. This is done to extend the length of the time series in order to analyze its combination with other strategies.
 - The drawdown statistics presented are calculated from monthly returns only. Intramonth drawdowns calculated from daily returns (or intraday returns) will invariably be greater than month-to-month drawdowns. The difference between the two calculations can be substantial.
 - The negative correlation between the strategies is merely a statistical relationship that is valid over the long term, i.e. in the sense of a long time average. There could be episodes in time when this negative correlation does not hold. When this happens, the strategies in a given combination may not benefit from each other's presence and losses in one strategy may be compounded by losses in the other strategies.

Investment Risks of the Strategies

- There are highly improbable but still conceivable scenarios in which all principal invested in the Accordant Strategy or the EITFS can be lost. Some of these scenarios are:
 - EITFS is long or short the market at the normal leverage of 100% of the principal and the market moves in the opposite direction by 100% in such a short time that the stop loss orders in the EITFS cannot be executed.
 - EITFS is long or short the market at the maximum leverage of 200% of the principal and the market moves in the opposite direction by 50% in such a short time that the stop loss orders in the EITFS cannot be executed.
 - EITFS makes a wrong prediction of the direction of the market 5 times in a row, each time losing 20% by the time the stop loss orders are executed at the end of the trading day.
 - The Accordant Strategy repeatedly makes wrong predictions of the direction of the stocks in its universe (this would have to happen several hundred times over) with each prediction losing a substantial amount of the capital invested in the stock corresponding to the prediction.
 - The Accordant Strategy is subject to a massive sector divergence in the stock positions it holds while it is trading at high leverage. Given that the Accordant stock universe is classified into 10 GICS sectors and that maximum net and gross dollar investments of 30% and 40% of equity respectively are imposed on each sector, a numerical example for this scenario may be the following:
 - Long 4 sectors each with a net dollar investment of 25% of equity.
 - Short 4 sectors (different from the 4 sectors that are long) each with a net dollar investment of 25% of equity.
 - The 4 sectors that are long decline 50% while the 4 sectors that are short advance 50%.