Longboard

RETHINKING ALTERNATIVES

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WHY ALTERNATIVES ARE SO URGENTLY NEEDED

Dissatisfaction with portfolio performance has been wide spread. In the so-called "Lost Decade," most investors realized little or no gains. Many lost. Clearly, an updated approach is required.

At Longboard, we've spent a decade questioning old assumptions, conducting breakthrough research, and honing a new way of investing. The result is an alternative approach to navigating the investment ocean, which identifies sustainable waves of opportunity in any economy.

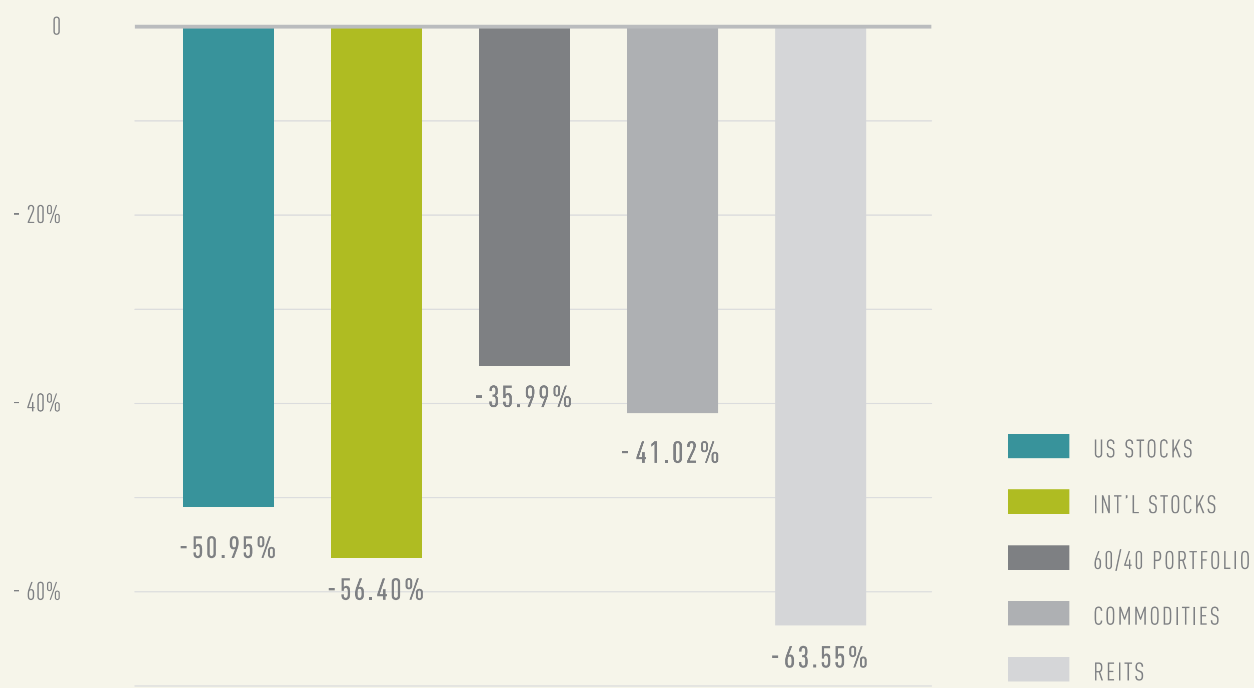
In the so-called **"Lost Decade,"** most investors realized little or no gains. Many lost.

What went wrong?

Commodities trading carries risk and is not suitable for all investors.

TRADITIONAL DIVERSIFIERS DURING **THE CREDIT CRISIS**

Drawdown During the Credit Crisis October 2007 – February 2009



Source: PerTrac. US Stocks, S&P 500 TR; Int'l Stocks, MSCI EAFE; 60/40 Portfolio, 60% S&P 500 TR and 40% Barclays Aggregate Bond Index; Commodities, DJ UBS Commodities Index; REITS, NAREIT Index.

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CRISIS AS A CONSTANT

The rule of markets rather than the exception

Crisis is a natural force of any competitive market. Traditional strategies tend to count economic crisis as disruptive events—exceptional setbacks in otherwise consistent growth. But a true historical perspective reveals that macro shocks to the markets have always existed and always will. It isn't a question of if, but when.

The crisis of the last decade caused a shock to investors and traditional notions of diversification are in question. Longboard's research continues to support the existence of crisis as a constant in global markets.

An insightful investment strategy should factor in crisis as a constant. Rather than a rationale for forgoing returns, crisis if properly planned for becomes another wave of opportunity within the larger investment ocean.

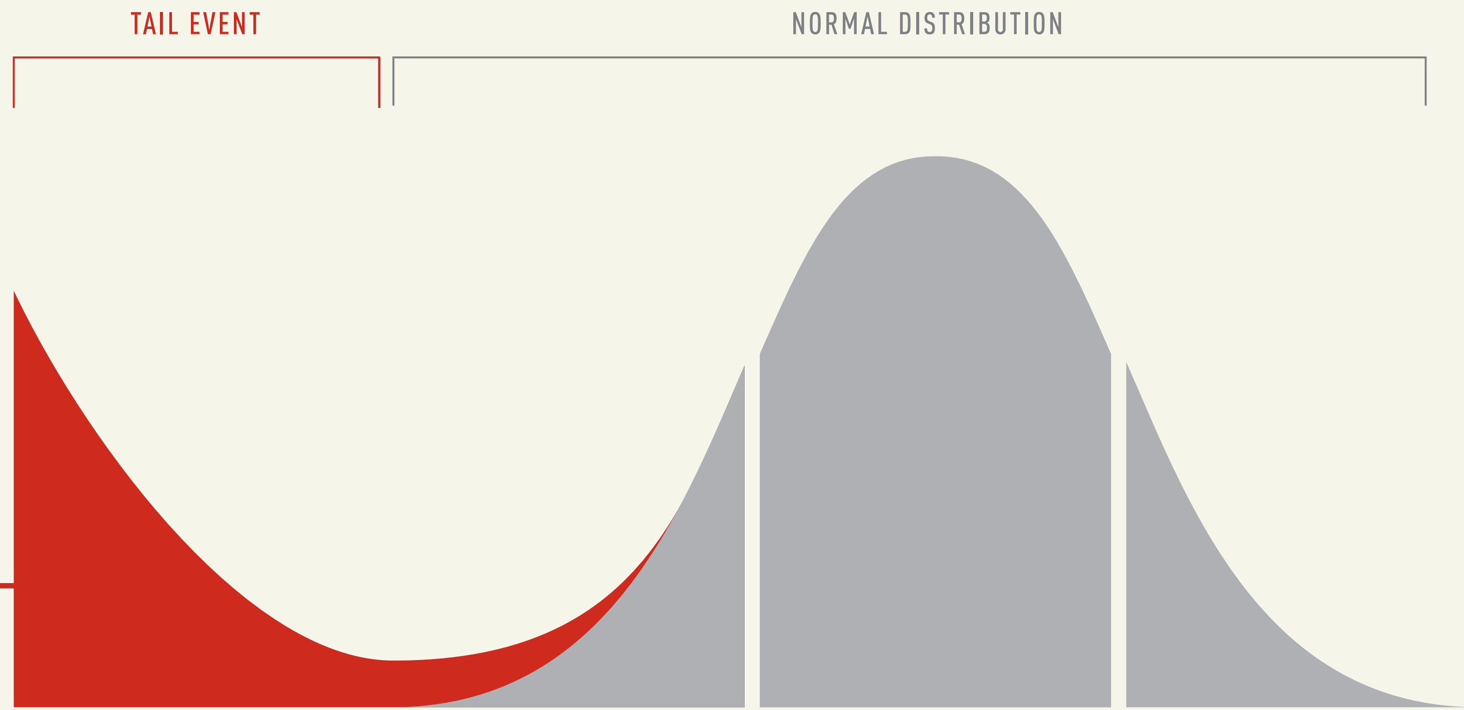
An insightful investment strategy should factor in Crisis as a Constant.

OBSERVED LAW OF COMPETITIVE MARKETS: CRISIS HAPPENS

The Rule Rather than the Exception

DISTRIBUTIONS OF COMPETITIVE MARKETS

1980	International Tension
1981	US rates >15%
1981 - 82	Mexico Crisis
1982	Falkland War
1984	International Tension
1987	Black Monday
1990	Nikkei Weakness
1990	Gulf War I
1998	Russian Crisis
2000	NASDAQ free-fall
2001	Bear Market
2001	9/11
2002	Accounting Scandal
2002 - 03	Gulf War II
2007 - 08	Sub-prime
2008	Lehman Bankruptcy
2010	Flash Crash
2011	Euro Debt (PIGS)



Crisis conditions and associated dramatic pricing (market) moves are generally considered to be rare events. However, research from Longboard reveals that they occur quite regularly in nearly all liquid markets.*

For illustrative purposes only

*Longboard research: "The Capitalism Distribution" and "The Non-Random Behavior of Declining Stock Prices"

THE MYTH OF DIVERSIFICATION

How asset correlation really works

The majority of investors accepting an assumption doesn't make it true. In fact, this is the lesson every investment "bubble" teaches. But what are investors to learn from the events of the last decade? Many investing approaches have come under question, none more so than the conventional wisdom on diversification and asset correlation.

Traditional portfolio allocation strategies were supposed to provide the protection of diversification. When one asset class failed to perform, another was supposed to pick up the slack.

The facts show that most assets which were not supposed to correlate, in fact, did correlate. When one went down, the others followed at the worst moment possible. Furthermore, access to investment alternatives were very limited. These two problems combined are why an updated allocation model is essential to the effectiveness of a fresh investment approach.

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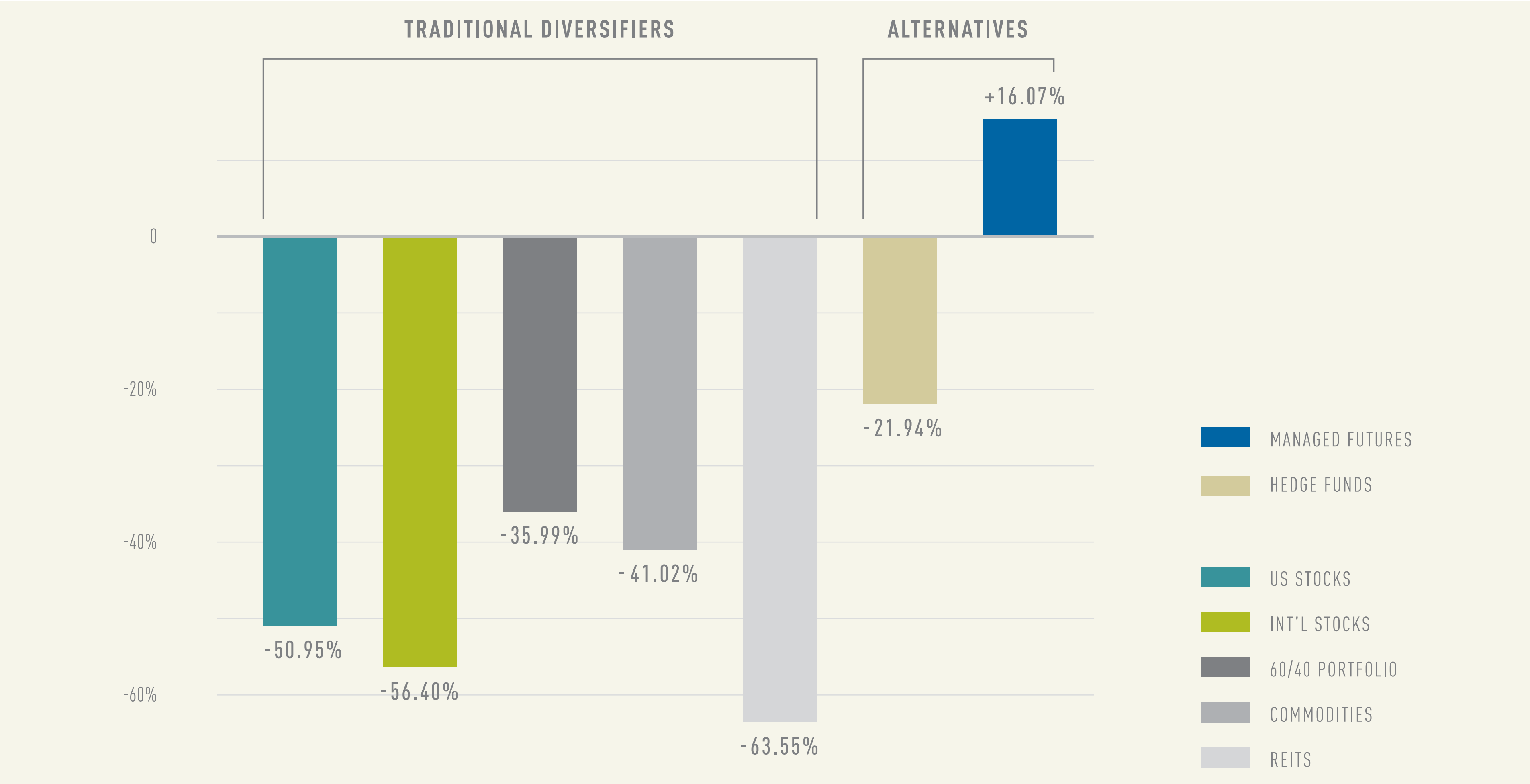
DIVERSIFICATION WITH ALTERNATIVES

Drawdown During the Credit Crisis October 2007 – February 2009



Source: PerTrac. US Stocks, S&P 500 TR; Int'l Stocks, MSCI EAFE; 60/40 Portfolio, 60% S&P 500 TR and 40% Barclays Aggregate Bond Index; Commodities, DJ UBS Commodities Index; REITS, NAREIT Index; Hedge Funds, HFRI Index; Managed Futures, Barclay CTA Index.

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THE ALTERNATIVE ASSET CLASS

Alternatives are exactly what their name implies—investments that are not included in the traditional investment categories of stocks, bonds and cash.

By contrast, alternatives can invest in all asset classes, including currencies and commodities. While traditional investments generally offer opportunity in growth markets, alternatives can earn returns in up and down markets. This market agnosticism provides true portfolio diversification, potentially leading to lower volatility and more sustainable returns.

No surprise then that alternatives are gaining popularity among investors worldwide, and have become a recognized and rapidly growing asset class.

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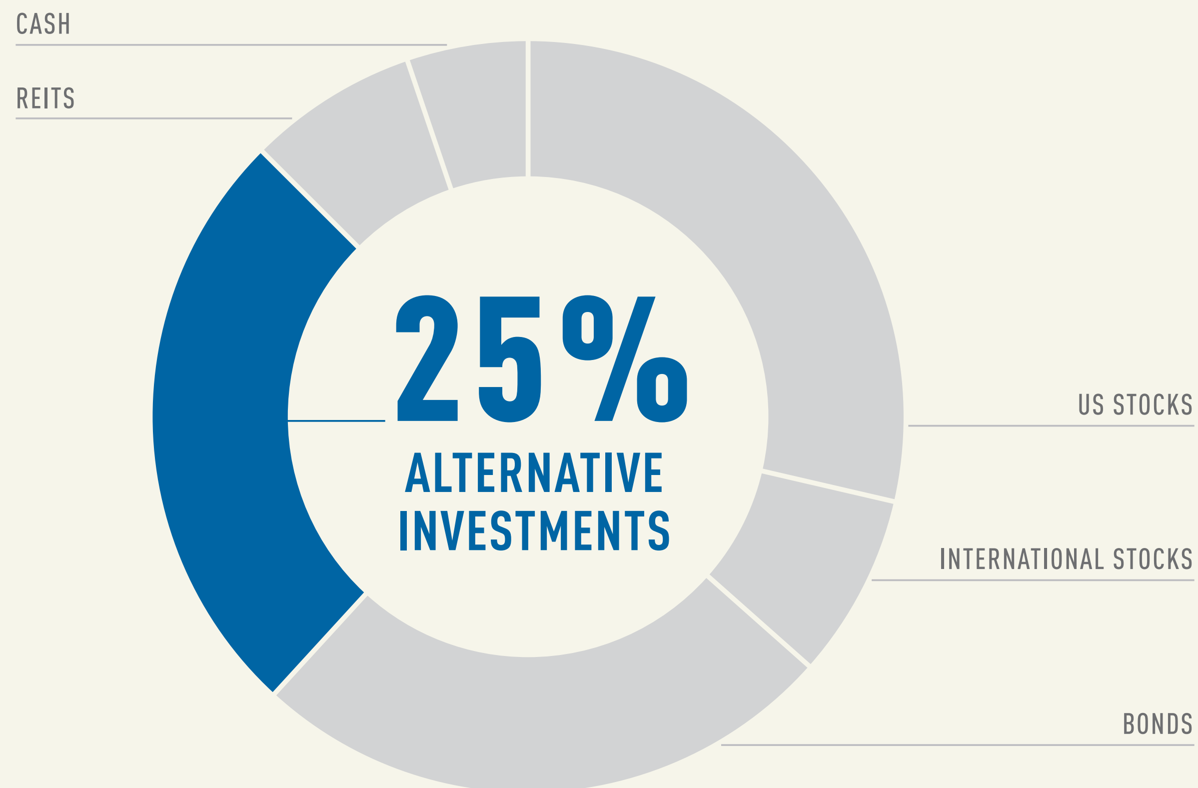
UPDATED ALLOCATION MODEL

Research shows that traditional portfolios with 25% alternatives have historically achieved effective diversification.



KEY BENEFITS

- Reduce volatility
- Increase returns
- Perform in all economies

For illustrative purposes only. Traditional Portfolio is assumed to be comprised of 60% S&P 500 TR Index and 40% Barclays Aggregate Bond Index. Alternatives is assumed to be equally weighted between the HFRI Index and the Barclay CTA Index. Source: CME Group.

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MANAGED FUTURES, MANAGED OPPORTUNITY

Within the alternatives asset class managed futures offer particularly significant opportunity.

Managed futures provide the flexibility to take long and short positions, generating return opportunities in any economy. Historically they have shown non-correlation in performance, providing the real diversification effective wealth management requires.

Although challenges have existed in the past allowing access to these world class strategies, it's no wonder informed investors are increasingly turning to managed futures. Participating in over 100 liquid markets worldwide, with assets under management now totaling over $300 billion, it's clearly an established asset class.

Managed futures provide the flexibility to take **long and short positions,** generating return **opportunities in any economy.**

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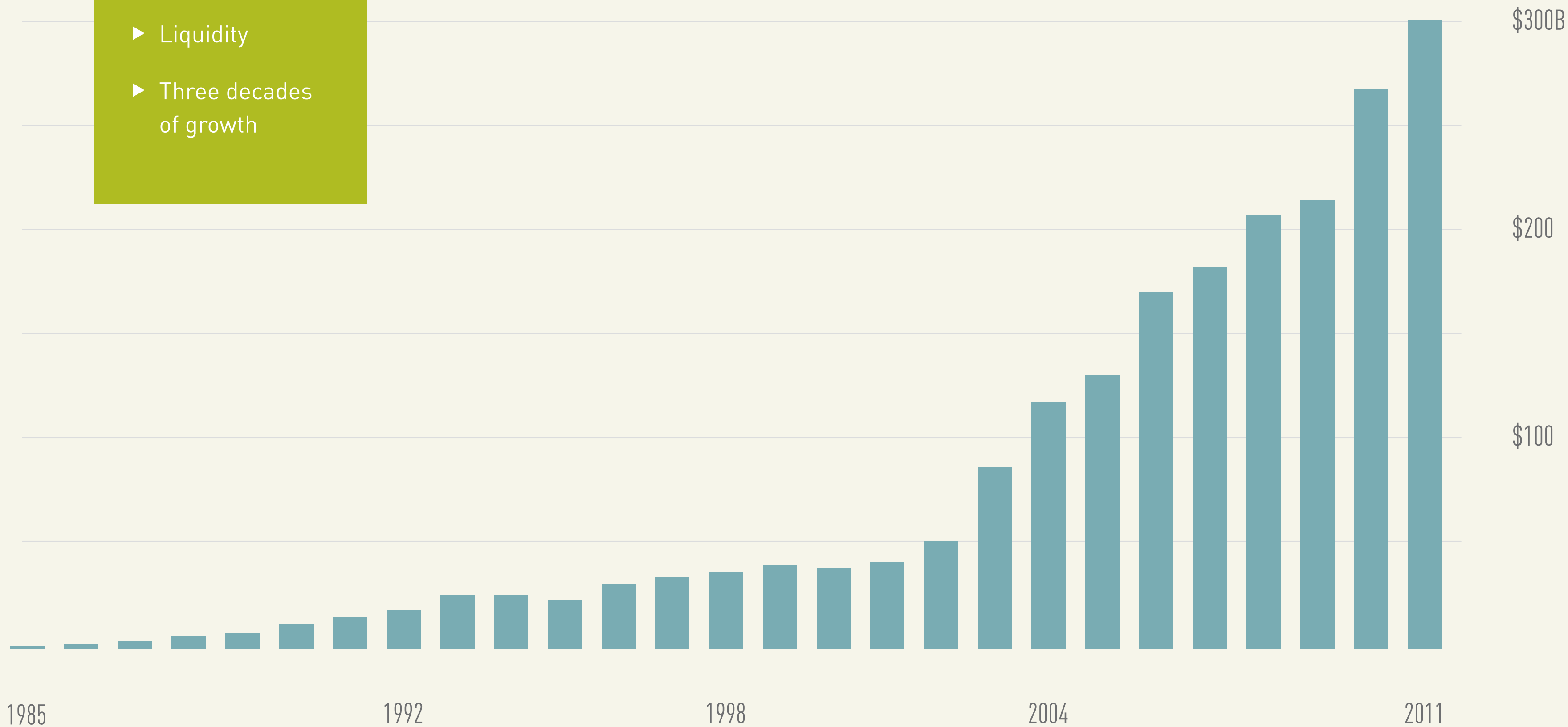
INDUSTRY SECTOR GROWTH

Growth of Managed Futures AUM (in Billions)

KEY BENEFITS

- Transparency
- Liquidity
- Three decades of growth



Source: AlphaMetrix Alternative Investment Advisors, Barclay Hedge Alternative Investment Database.

THE POWER OF DIVERSIFICATION

Performance in the worst drawdowns in history

Managed futures are market agnostic; meaning they can deliver returns in both up and down markets, and are not dependent on economic growth to generate returns.

> *"The results (of including managed futures) are so compelling that the board of any institution, along with the portfolio manager, should be forced to articulate in writing their justification in not having a substantial allocation..."*
>
> *Dr. John Lintner, Harvard Business School*

In the **worst drawdowns** in equities' history **managed futures** had **positive performance.**

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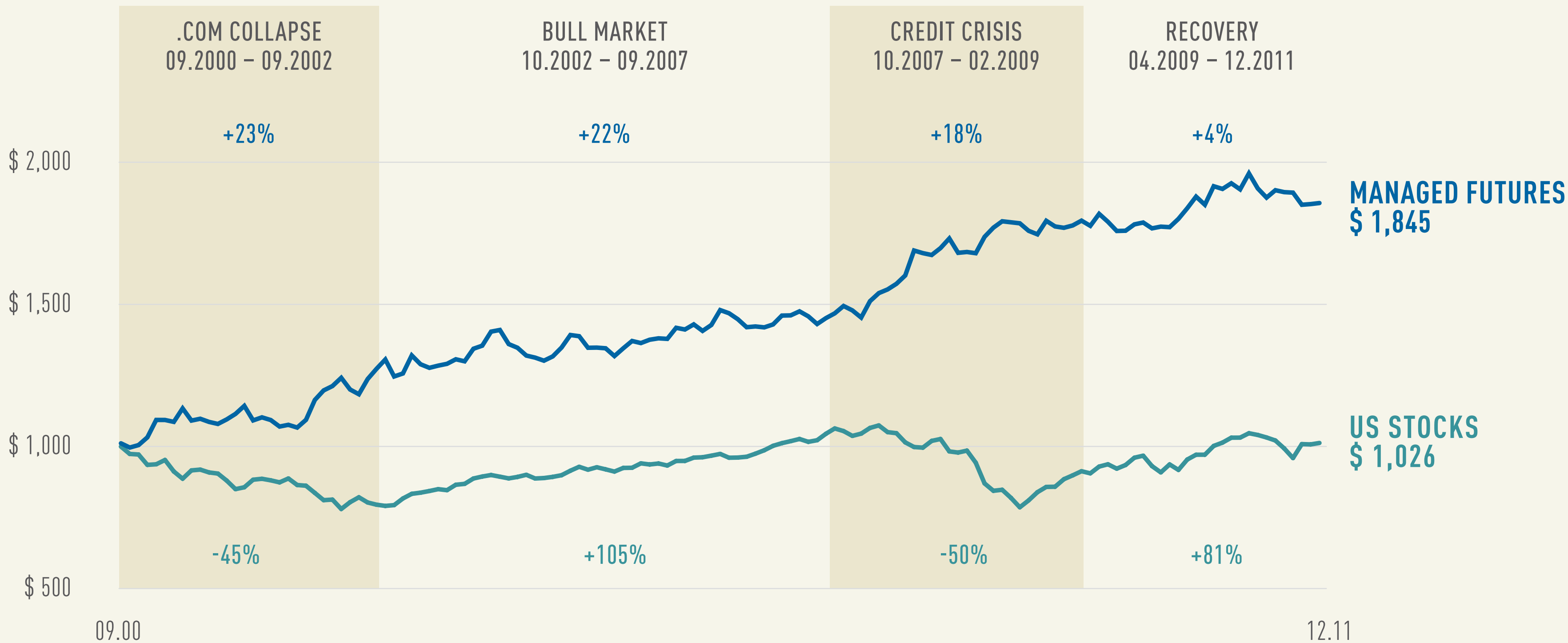
ALTERNATIVE PERFORMANCE

Compounded Growth of an Initial $1,000 Investment (09.2000 – 12.2011)



Source: PerTrac. Managed Futures, Barclay CTA Index; US Stocks, S&P 500 TR.

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TRADING ON MARKET TRENDS

Identifying the right waves to ride

Trend-based strategies are an established, seasoned investment approach which identifies long-term trends that organically occur in competitive markets. We think of these as waves surging through the investment ocean.

Our investment style is process driven and rules-based. We never rely on forecasting or predicting specific price levels. Rather, we keep a keen eye for a particular range of conditions we've identified that tend to generate the high quality return characteristics that interest us.

...opportunities that maintain their independence even in crisis; **providing true portfolio diversity,** mitigating volatility and **building wealth.**

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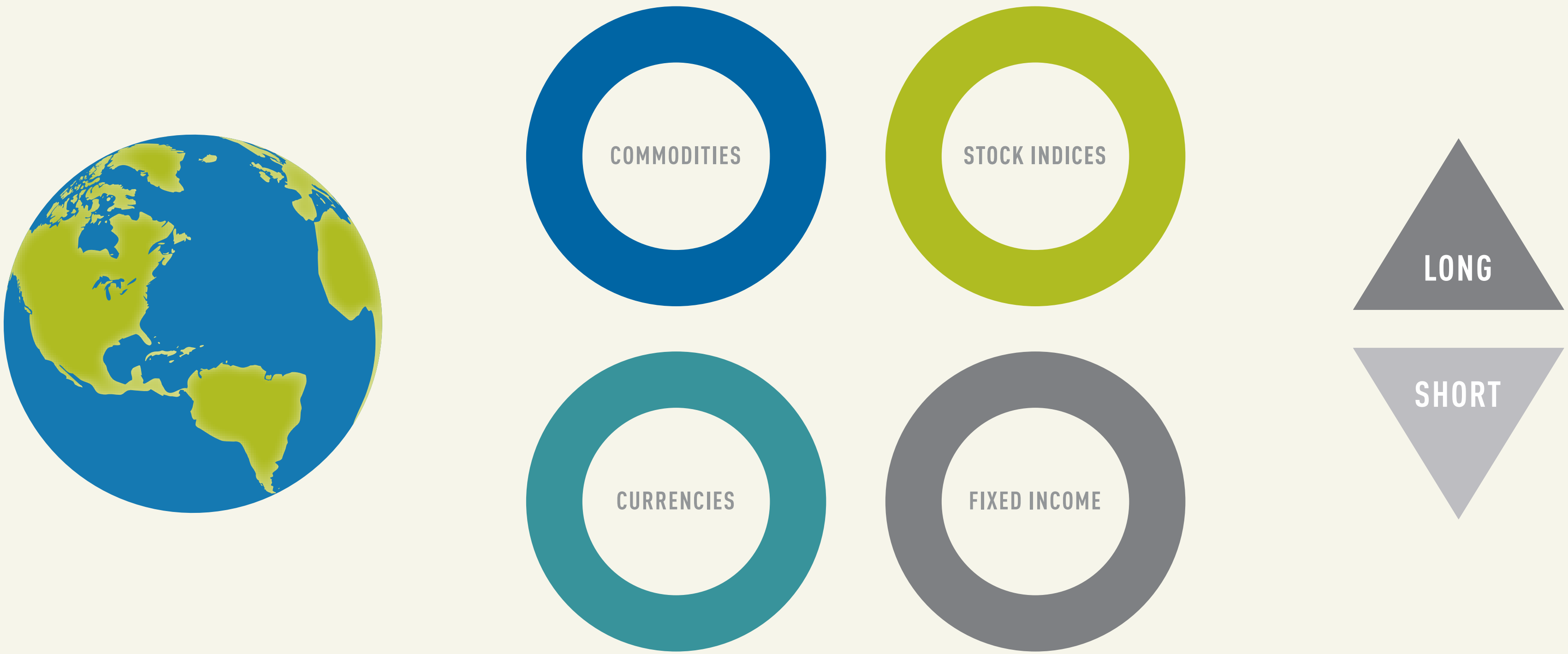
LONGBOARD INVESTMENT UNIVERSE

Sample Allocation

Participating in over 100 markets worldwide, we trade in the essentials people rely on every day. We're continuously scanning the globe for the right market waves to ride.



Source: Longboard Database.

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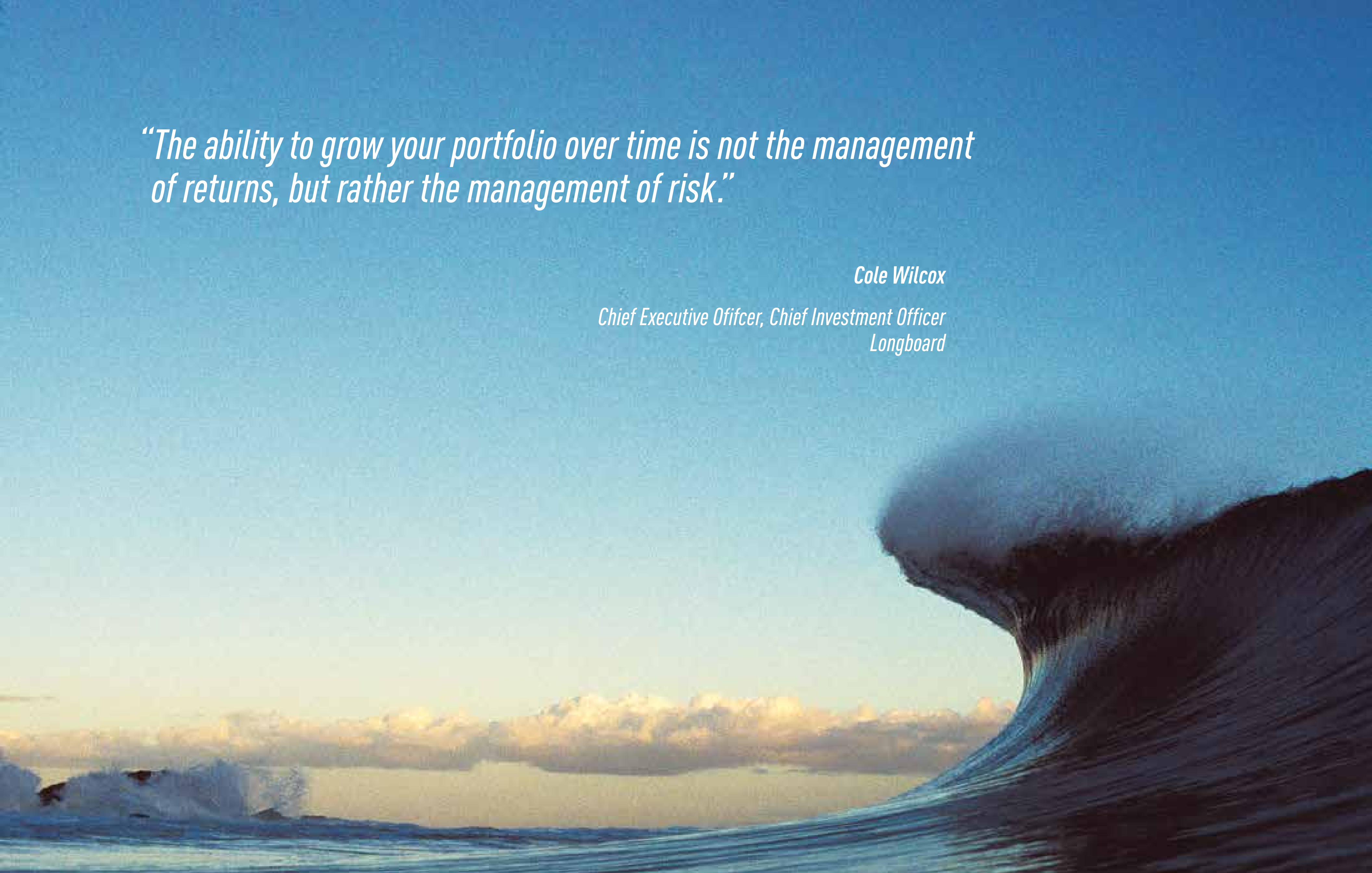
UNDERSTANDING RISK
The essence of effective trend following

The management of risk is the key to investment success and the core of our trend following strategy.

Longboard focuses on the durable forces of publicly traded markets through the strategic understanding of risk in all its dimensions: risk transfer, risk quantification, risk management.

The need for risk-transfer is the basis for the existence of futures markets. Longboard's trend following methodology seeks to identify situations in which hedgers are willing to incur a risk premium for insurance against adverse price moves. Providing the liquidity needed to meet the demand for risk transfer in an actuarial-based manner allows Longboard to participate in a way that is sustainable and beneficial to the larger investment ecosystem.

Longboard has done the hard work to understand why **our investment strategies deliver opportunity.**



"The ability to grow your portfolio over time is not the management of returns, but rather the management of risk."

Cole Wilcox

Chief Executive Ofifcer, Chief Investment Officer
Longboard

THE LONGBOARD EXPERIENCE

Feel the wave

Longboard is an alternative asset management firm serving registered investment advisors and institutions with sustainable alternative investment strategies, focused on managed futures. Through its unique long/short trend following strategy, Longboard accesses more than 100 global markets.

- Strategically understand all dimensions of risk and returns as a core return driver.
- Differentiated methodology, size advantage and scalable return characteristics.
- Alternative perspective within managed futures space, because of experience and systematic approach.

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Are you a Longboarder?

To learn more about how Longboard can customize your alternative investment experience, connect with us at:

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Scottsdale, Arizona 85251

ADDITIONAL DISCLOSURE

The HFRI Monthly Indices ("HFRI") are a series of benchmarks designed to reflect hedge fund industry performance by constructing equally weighted composites of constituent funds, as reported by the hedge fund managers listed within HFR Database. The HFRI range in breadth is from the industry-level view of the HFRI Fund Weighted Composite Index, which encompasses over 2000 funds, to the increasingly specific-level of the sub-strategy classifications. www.hedgefundresearch.com

The S&P 500® has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over US $5.58 trillion benchmarked, with index assets comprising approximately US$ 1.31 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. www.standardandpoors.com

The FTSE NAREIT US Real Estate Index Series is designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the US economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets. www.ftse.com

The Barclays Capital Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $250 million. ecommerce.barcap.com/indices/index.dxml

The Dow Jones-UBS Commodity IndexSM (DJ-UBSCISM) is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. www.djindexes.com/commodity/

The Barclay CTA Index measures the composite performance of established programs. For purposes of this index, an established trading program is a trading program that has four years or more documented performance history. Once a trading program passes this four-year hurdle, its subsequent performance is included in this unweighted index. The Barclay Index does not represent an actual portfolio, which could be invested in, and therefore the index performance results should be deemed to be hypothetical in nature and of comparative value only. www.barclayhedge.com/research/definitions/Barclay-CTA-Index-definition.html

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. www.msci.com

60/40 Portfolio is comprised of a general allocation to the S&P 500 TR and the Barclays Aggregate Bond Index. The allocation percentages are 60% S&P 500TR and 40% Barclays Aggregate Bond Index and is gross of any fees.

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