

Generating Absolute Returns in Stressful Market Environments

24 January 2013

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Portfolio Manager

Hedge Fund Strategies Group

For Qualified Eligible Investors Only. Not for Public Distribution.

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Introduction and Firm Summary

- Majority owned by State Street Global Alliance II, LLC and minority owned by SSARIS' Executive Management
- State Street Global Alliance II, LLC is a wholly owned subsidiary of State Street Corporation



- Approximately \$2.6 billion* in assets under management
- Clients include pensions, endowments, institutional and other types of investors



- \$1.9 trillion**† in assets under management
- The investment management division of State Street Corporation



STATE STREET

- \$22.4 trillion** in assets under custody (State Street Bank and Trust Company)
- Leading hedge fund service provider with front-to-back office administration and risk solutions

* As of December 31, 2012. All values expressed in USD unless otherwise noted. The SSARIS assets under management are estimated as of the date indicated, are subject to change, and are net of any accrued liabilities. The firm's accounts that are not fully funded are represented by their notional value. † This AUM includes the assets of the SPDR Gold Trust (approx. \$65.7 billion as of June 30, 2012), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors, serves as the marketing agent. **As of June 30, 2012.

Asset Class Diversification

Equities

Convertible Arb
Distressed
Equity Hedge
Equity Non-Hedge
Market Neutral
Event Driven
Relative Value Arb

Fixed Income

Convertible Arb
Distressed
Event Driven
Fixed Inc. Arbitrage
Mortgage Backed
Relative Value Arb

Currencies

Commodities

Managed Futures / Global Macro / Commodity Trading Advisors (CTAs)

Hedge Fund of Fund Allocations Using a Convergent and Divergent Strategy Approach

SAM CHUNG, MARK ROSENBERG, AND JAMES F. TOMEO

While there exists a number of different strategies in hedge fund investment, most of the individual strategies may be grouped into the two competing categories: convergent strategy and divergent strategy.

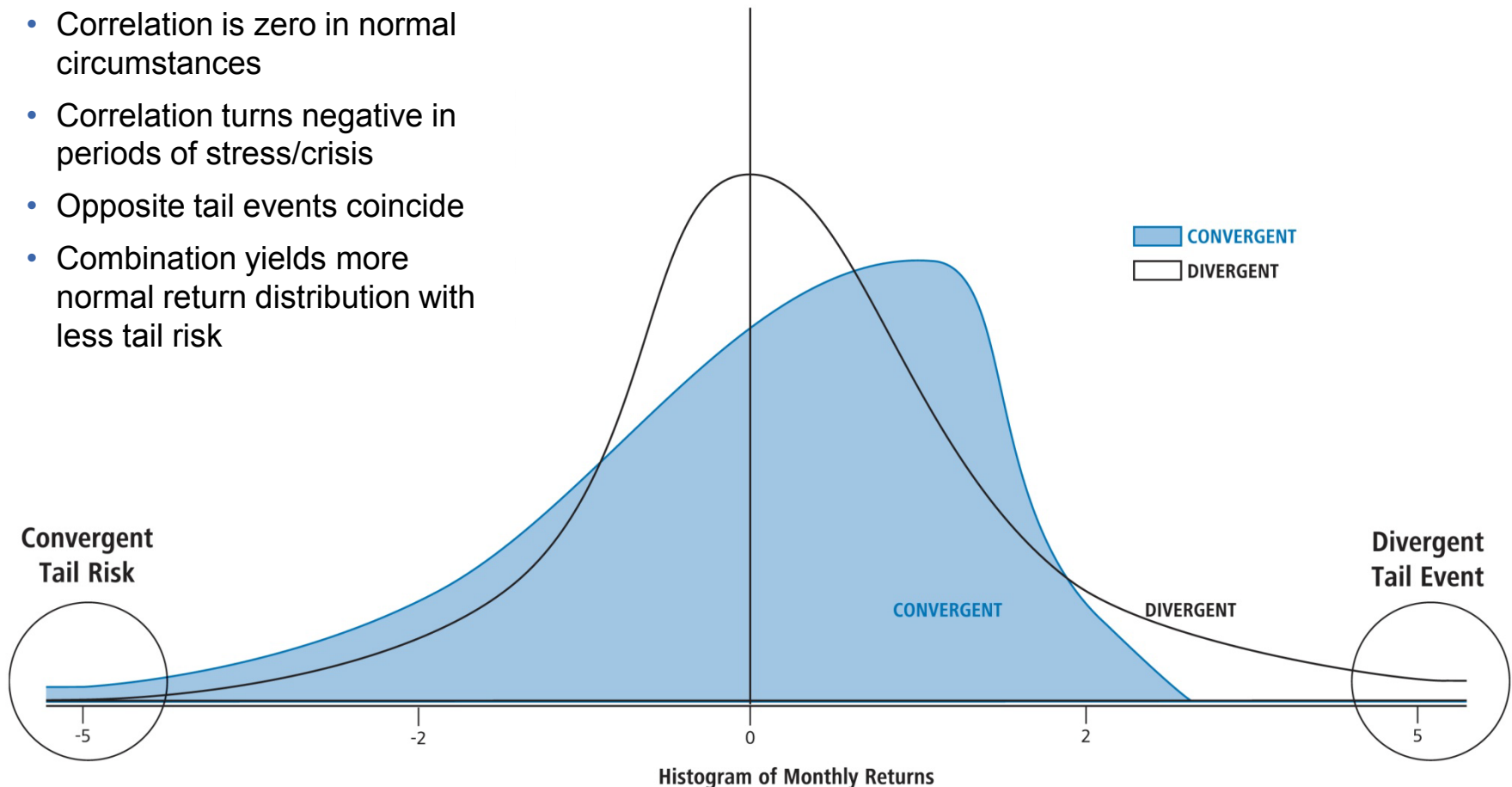
A *convergent strategy* is based on the notion that every security has an intrinsic value. For

divergent hedge fund strategies has given new insights into the theory known as the efficient market hypothesis (EMH). EMH states that financial asset prices fluctuate randomly around their respective intrinsic values. Intrinsic values, in turn, rationally reflect all relevant publicly available information and perhaps even privately available information as well. Prices

Balancing Convergence & Divergence

Combining convergent and divergent exposures can lead to a better probability of absolute return

- Correlation is zero in normal circumstances
- Correlation turns negative in periods of stress/crisis
- Opposite tail events coincide
- Combination yields more normal return distribution with less tail risk



The information contained above is for illustrative purposes only.

- Hedge fund indices:
 - Hedge Fund Research Inc. (www.hedgefundresearch.com)
- Benchmark portfolio (50% stocks / 50% bonds)
 - Bloomberg
 - MSCI World Index
 - Citi World Government Bond 5-7 Year Index
- CTA returns
 - Bloomberg
 - Barclay CTA Index
 - Barclay BTOP 50 CTA Index
- Time period is 23 years (Jan – 1990 through Dec – 2012)

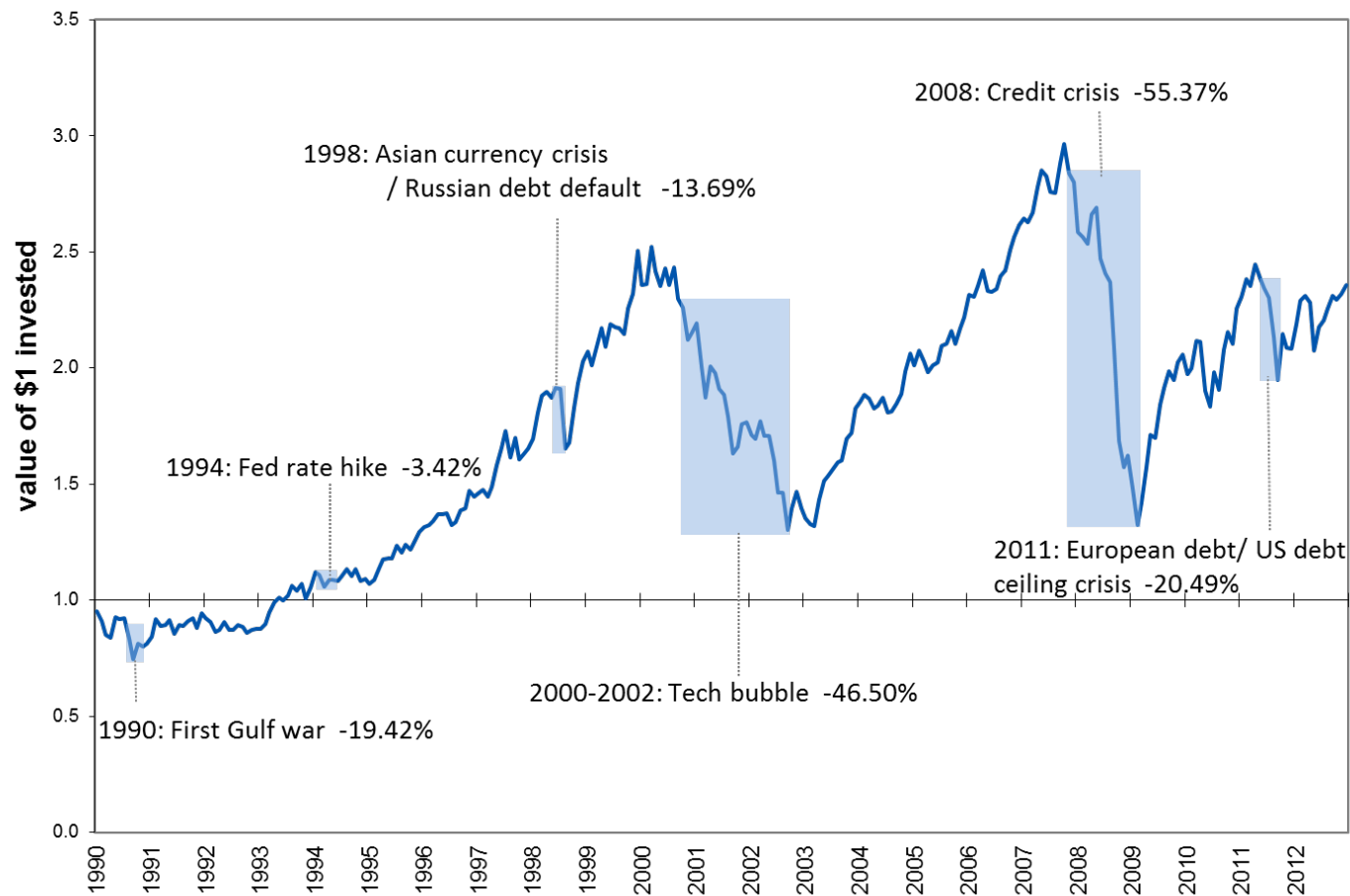
Benchmark 50/50 Portfolio

- Benchmark is:
 - 50% MSCI World Index
 - 50% Citi World Government Bond 5-7 Year Index

Benchmark - MSCI World Index

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012

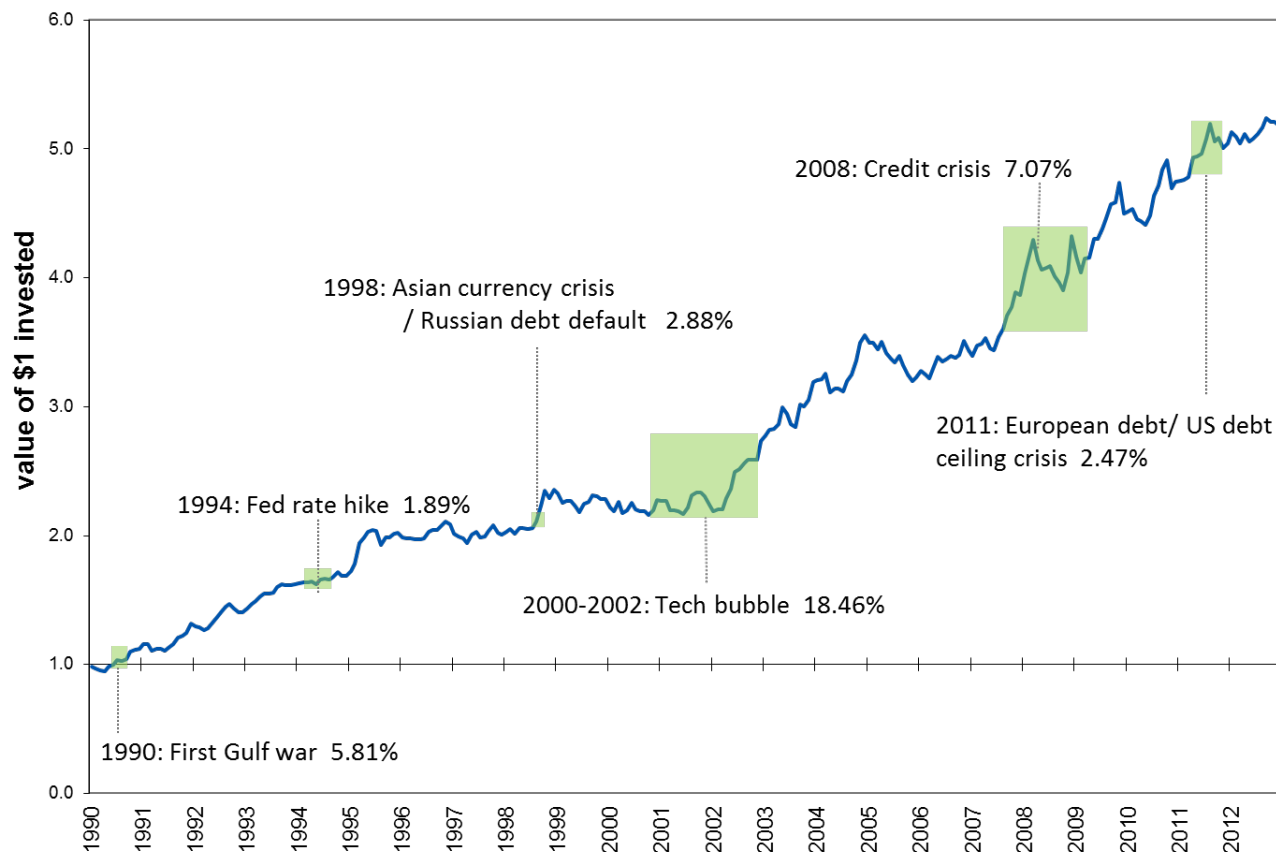


Source: Bloomberg, L.P. The information contained above is for illustrative purposes only. See Disclosure pages for further information

Benchmark – CITI WGBI 5-7 Year Index

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012

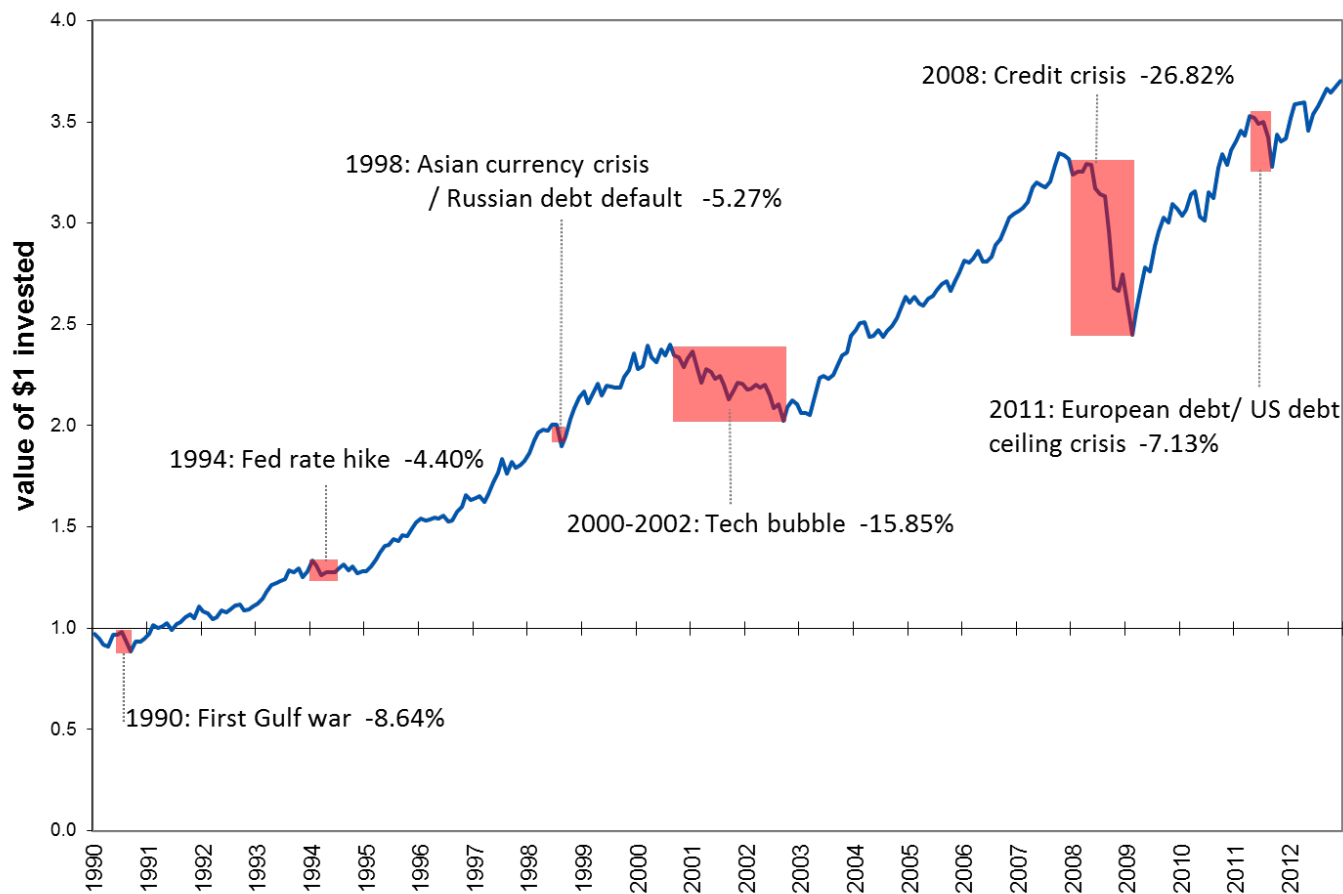


Source: Bloomberg, L.P. The information contained above is for illustrative purposes only. See Disclosure pages for further information

Benchmark – 50%/50% MSCI World & CITI WGBI 5-7 Year Index

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012



Source: Bloomberg, L.P. The information contained above is for illustrative purposes only. This chart represents model results. See Disclosure pages for further information

Benchmark Performance Characteristics

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012

- **5.93 % annualized return**
- **9.37 % annualized standard deviation**
- **0.63 return / risk ratio**

- **Maximum drawdown: -29.87 % (in 2008 financial crisis)**
- **Average drawdown: -4.46 %**

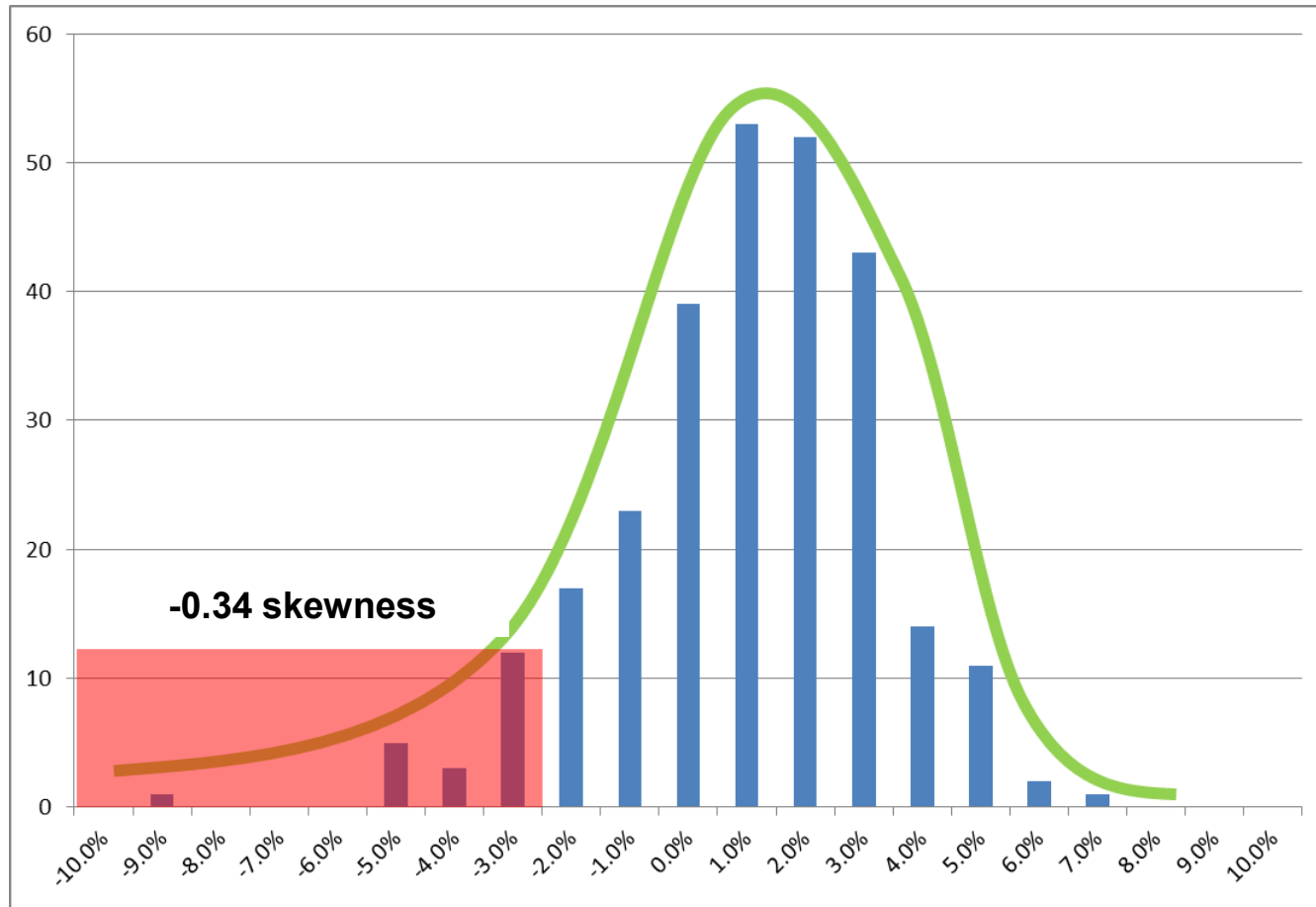
Source: Bloomberg, L.P. The information contained above is for illustrative purposes only. This performance above represents model results. Model returns are based upon estimates and reflect subjective judgments and assumptions. These results were achieved by means of a mathematical formula and do not reflect the effect of unforeseen economic and market factors on decision-making. See Important Disclosure pages for further information. See Disclosure pages for further information

Benchmark Distribution of Monthly Returns

50%/50% MSCI World & CITI WGBI 5-7 Year Index

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012



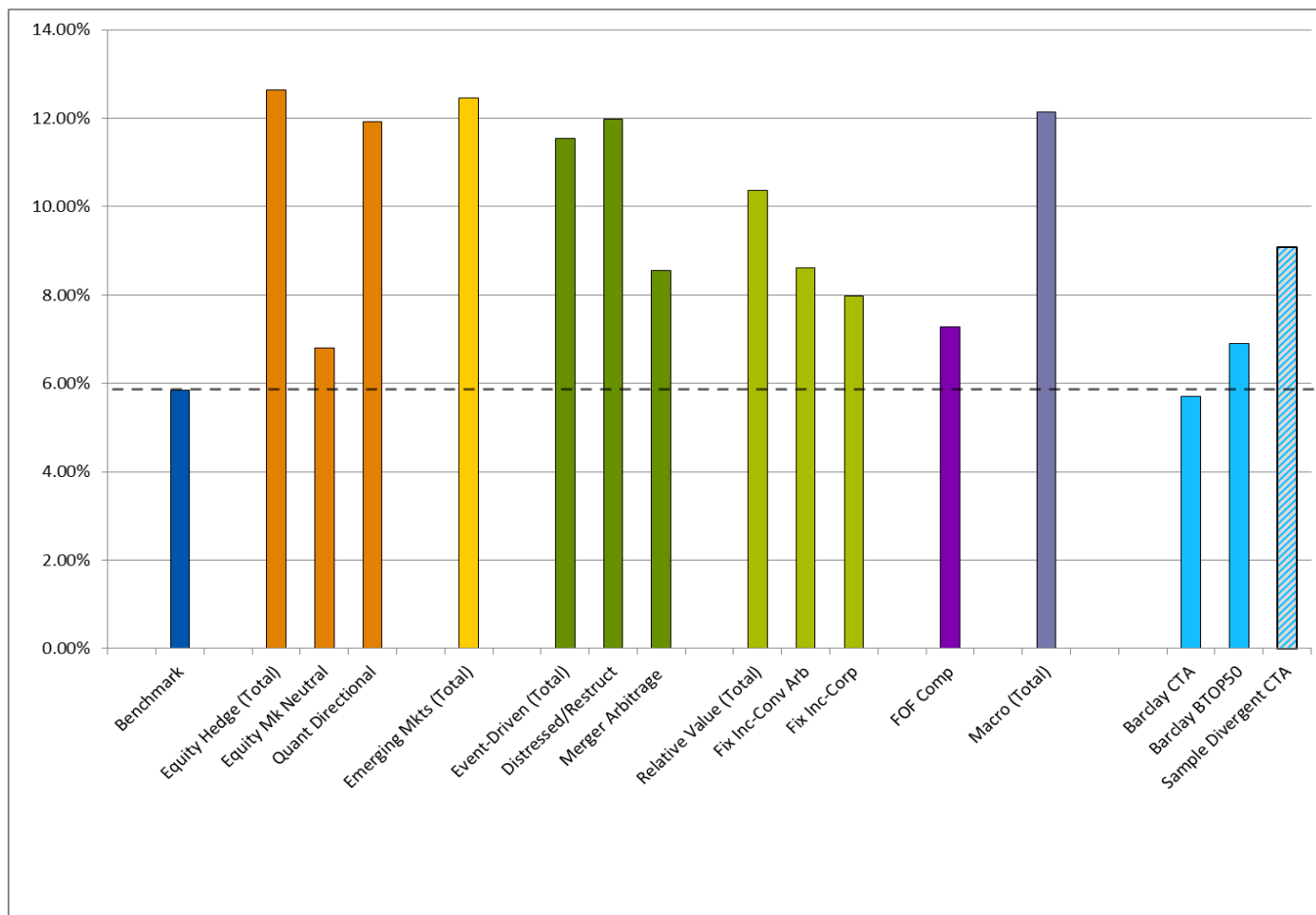
The information contained above is for illustrative purposes only. This chart represents model results. See Disclosure pages for further information

Equity:	HFRI Equity Hedge (Total) Index HFRI Equity Market Neutral Index HFRI Quantitative Directional
Emerging Markets:	HFRI Emerging Markets (Total) Index
Event driven:	HFRI Event-Driven (Total) Index HFRI Distressed/Restructuring Index HFRI Merger Arbitrage Index
Relative value:	HFRI Relative Value (Total) Index HFRI Fixed Income-Convertible Arbitrage Index HFRI Fixed Income-Corporate Index
FOF:	HFRI Fund of Funds Composite Index
Macro:	HFRI Macro (Total) Index
CTA Macro:	Barclay CTA Index Barclay BTOP50 CTA Index Sample Divergent CTA*
Benchmark:	MSCI World Index / Citi WGBI 5-7 Year Index (50%/50%)

* SSARIS Diversified Trading Program (DTP)

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012

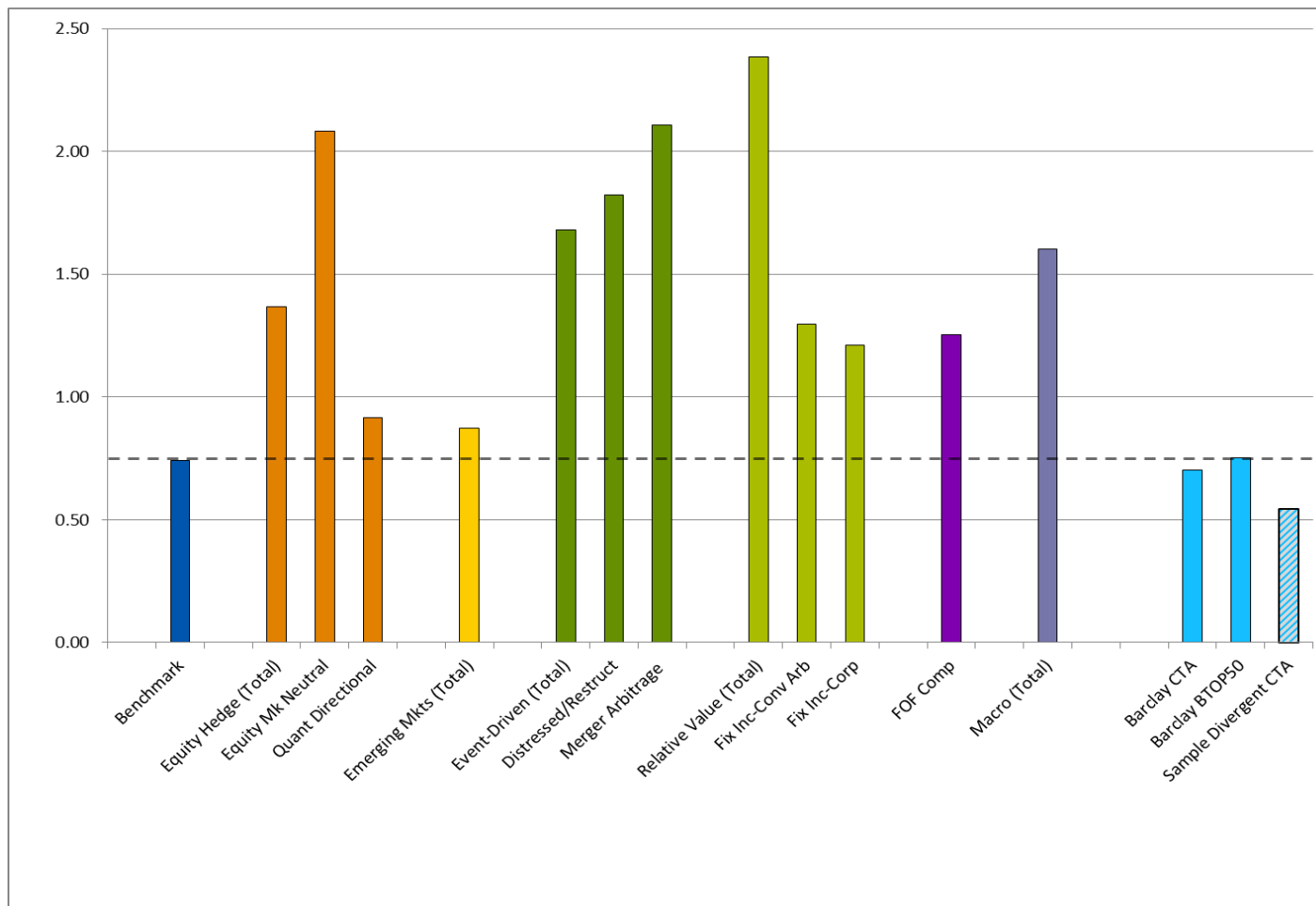


All data presented on the following charts is from Bloomberg covering period of 1990–2012 except where otherwise noted. Past performance is not necessarily indicative of future results. Index returns are unmanaged. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

Hedge Fund Return / Risk Ratio

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January 1990 through December 2012

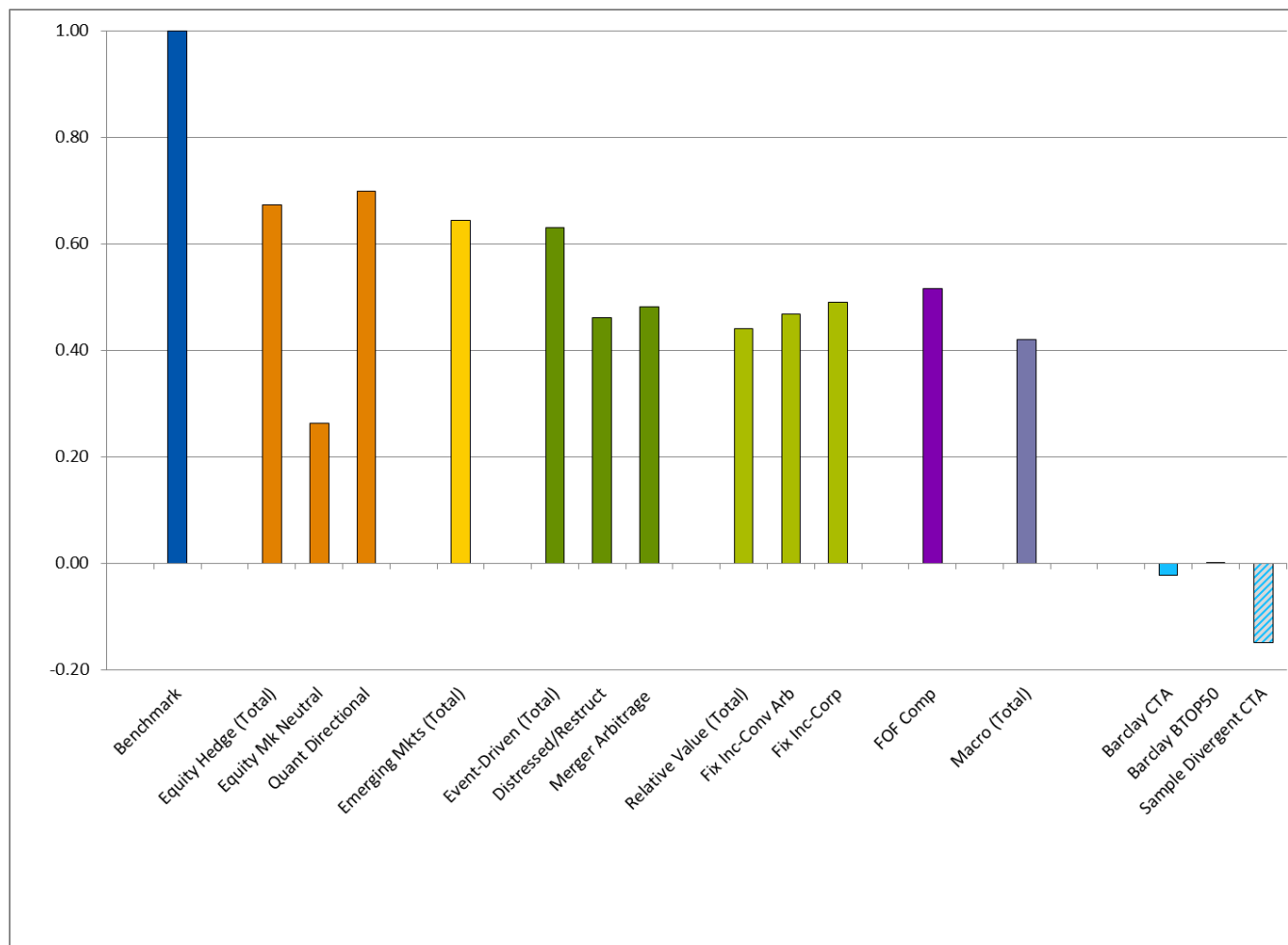


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Hedge Fund Correlations to Benchmark

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January 1990 through December 2012

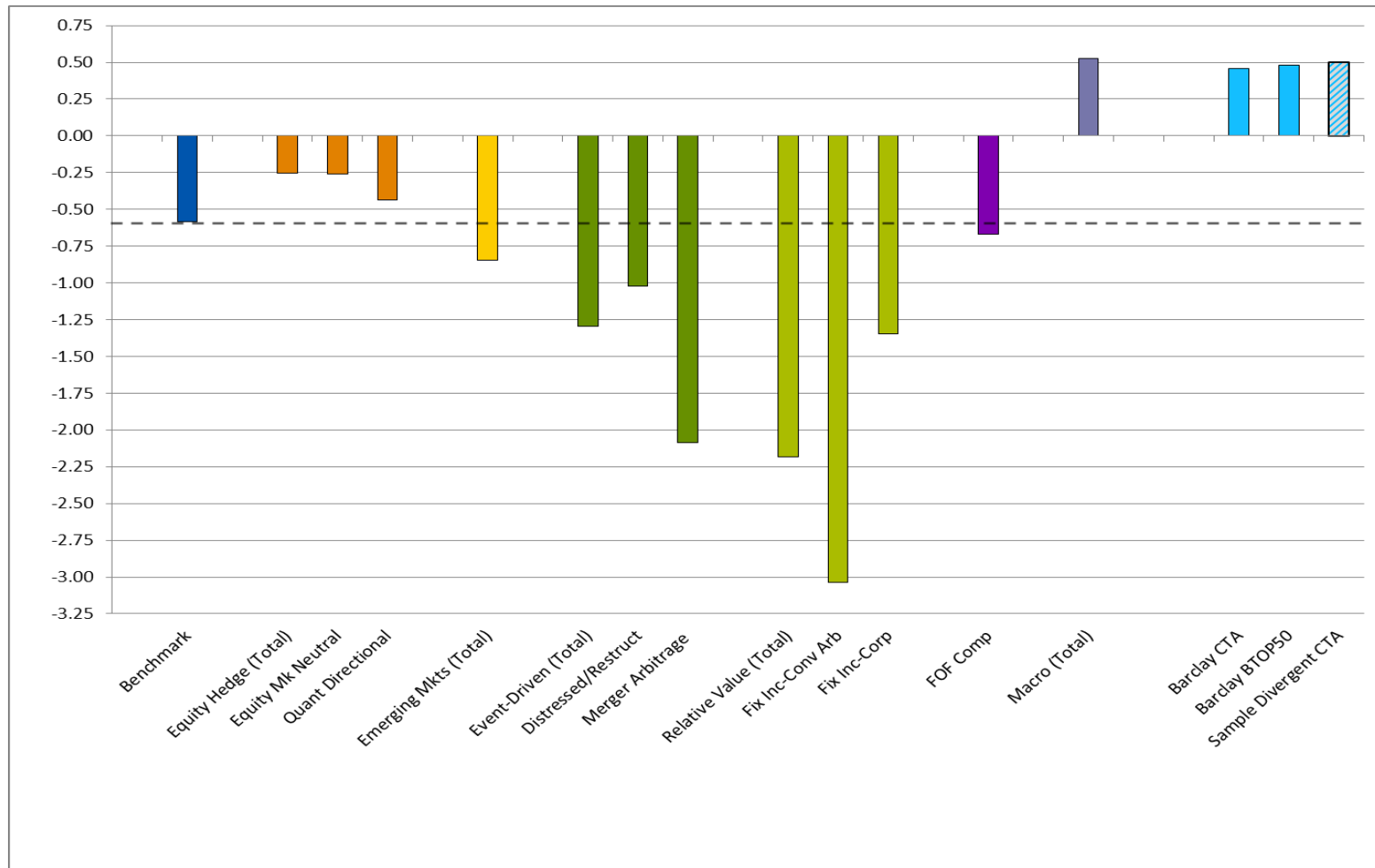


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Hedge Fund Skewness of Monthly Returns

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January 1990 through December 2012



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Benchmark 50/50 Portfolio vs. 45/45/10

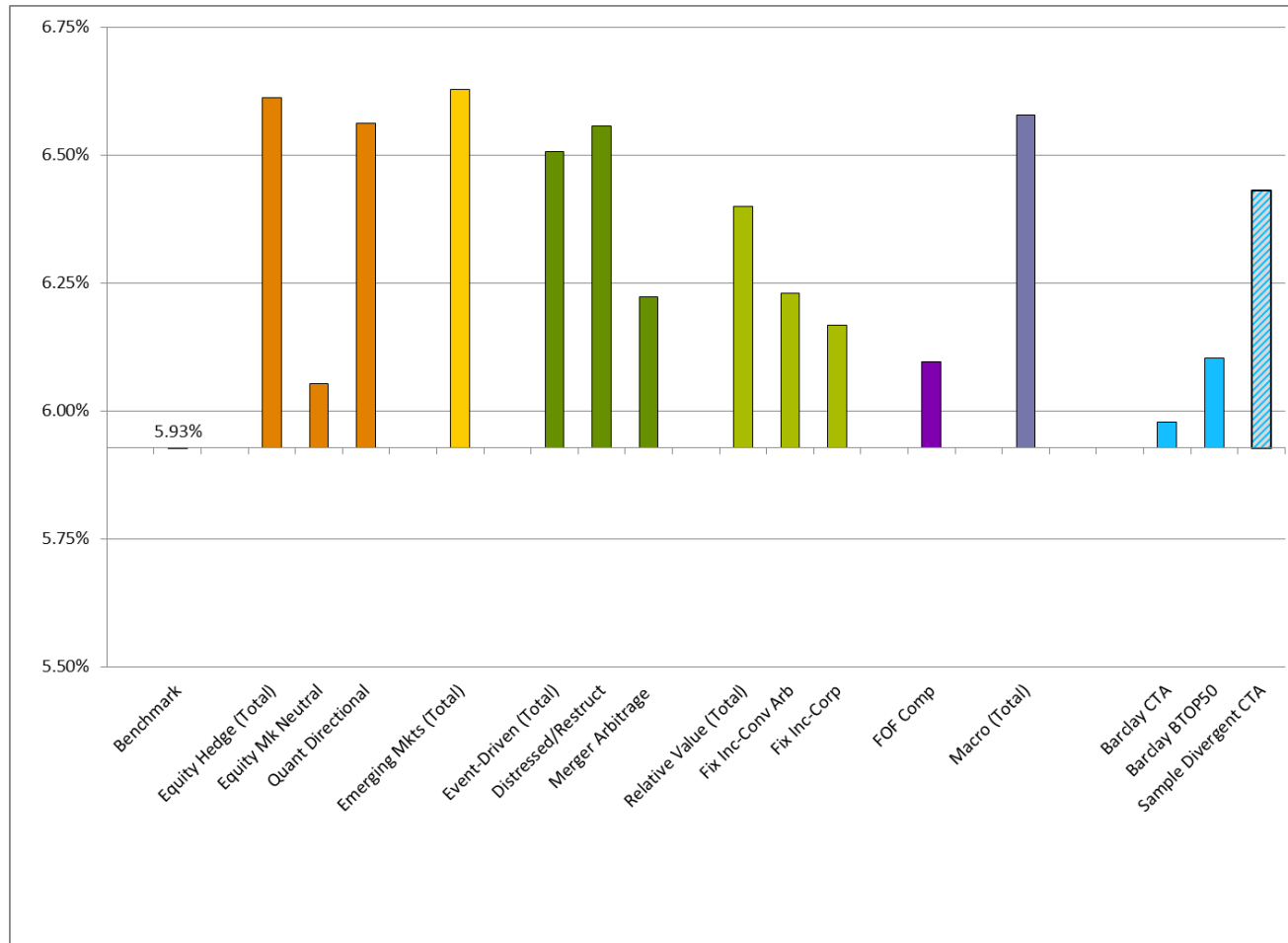
- Benchmark is:
 - 50% MSCI World Index
 - 50% Citi WGBI 5-7 Year Index
- Comparison is to:
 - 45% MSCI World Index
 - 45% Citi WGBI 5-7 Year Index
 - 10% Hedge Fund Strategy

All data presented on the following charts is from Bloomberg covering period of 1990–2012 except where otherwise noted. Past performance is not necessarily indicative of future results. Index returns are unmanaged. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

Annualized Return Relative to Benchmark

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January 1990 through December 2012

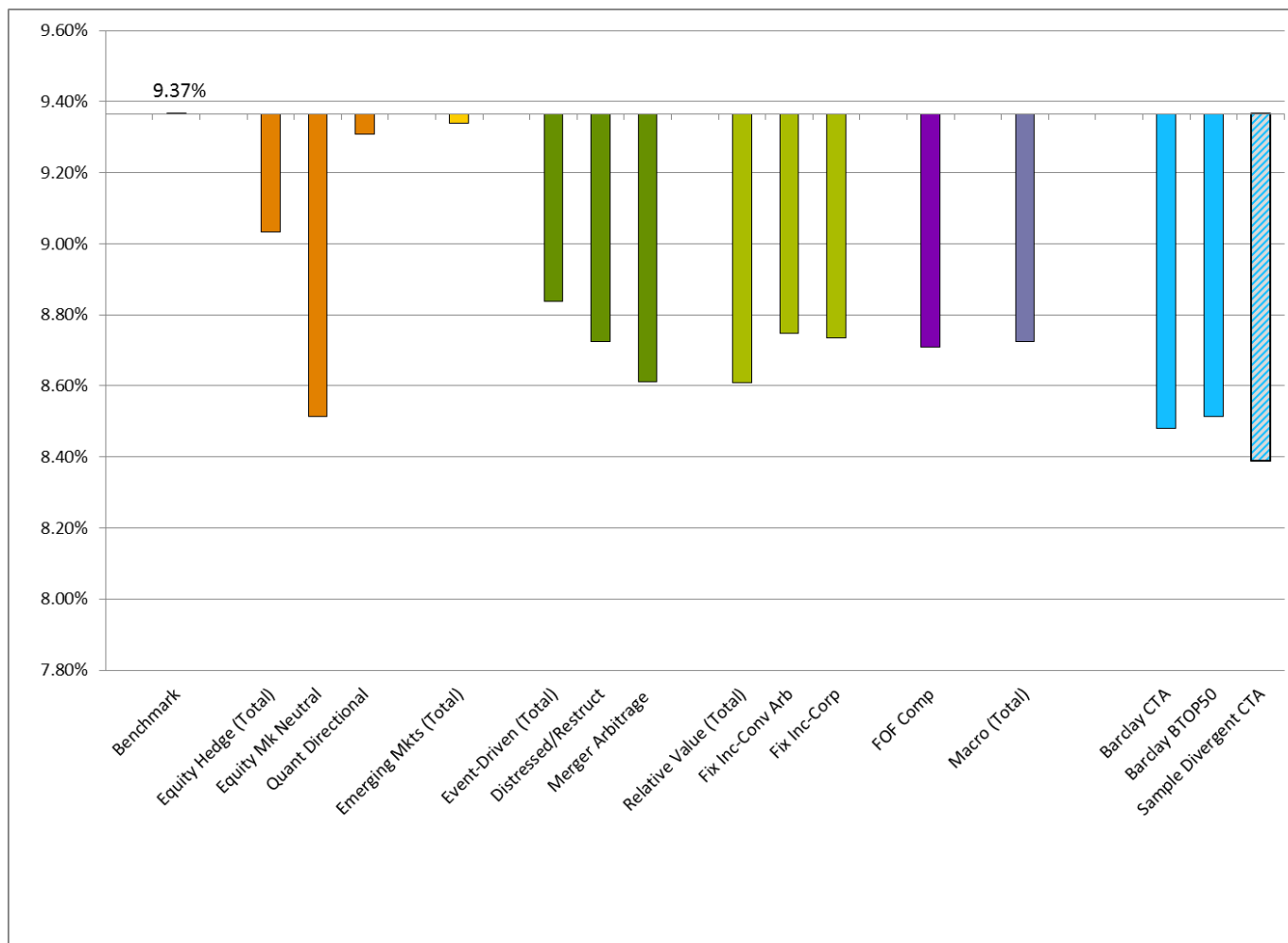


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Reduction in Standard Deviation vs. Benchmark

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January 1990 through December 2012

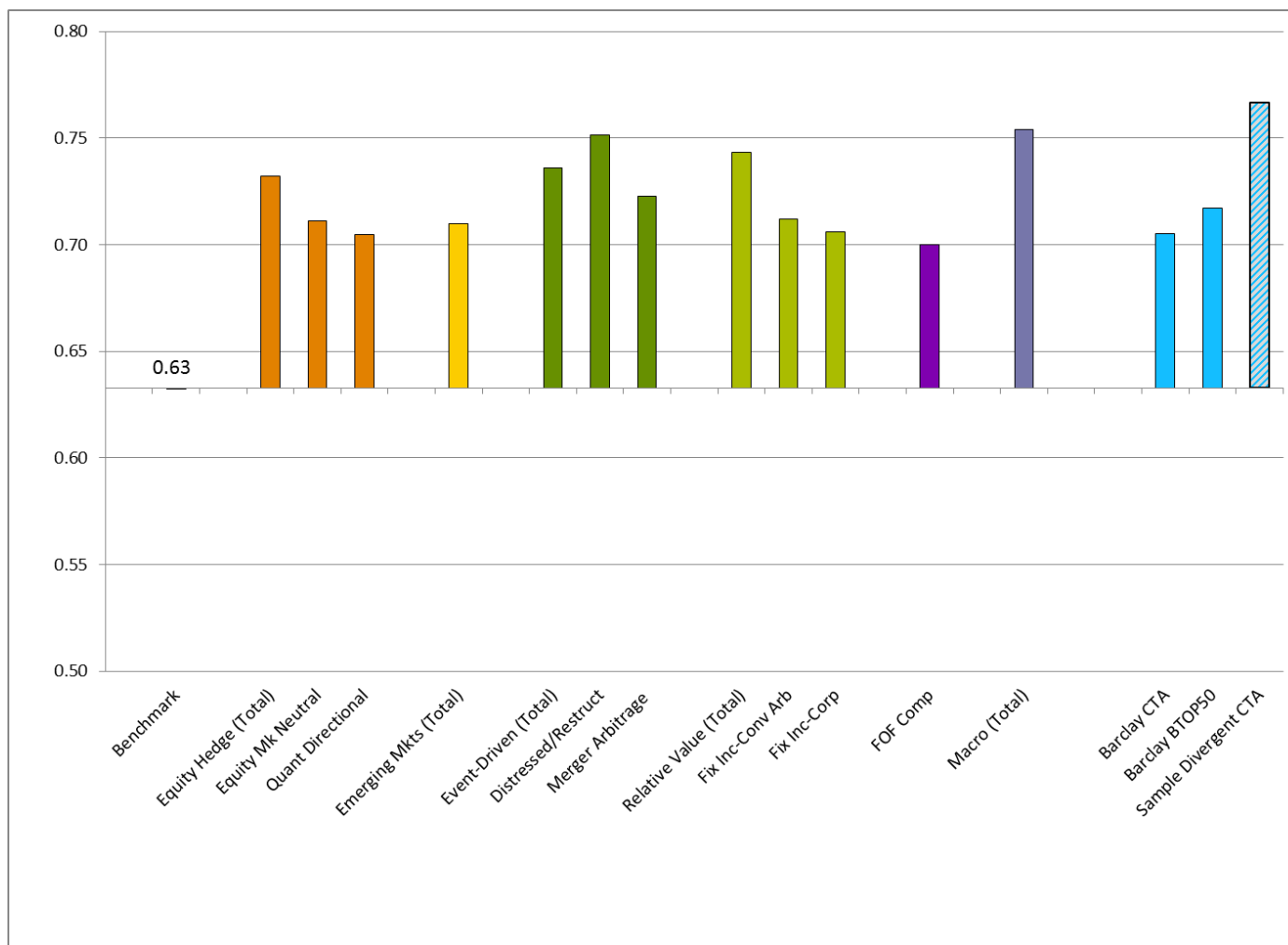


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Increase in Return / Risk Ratio vs. Benchmark

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January 1990 through December 2012

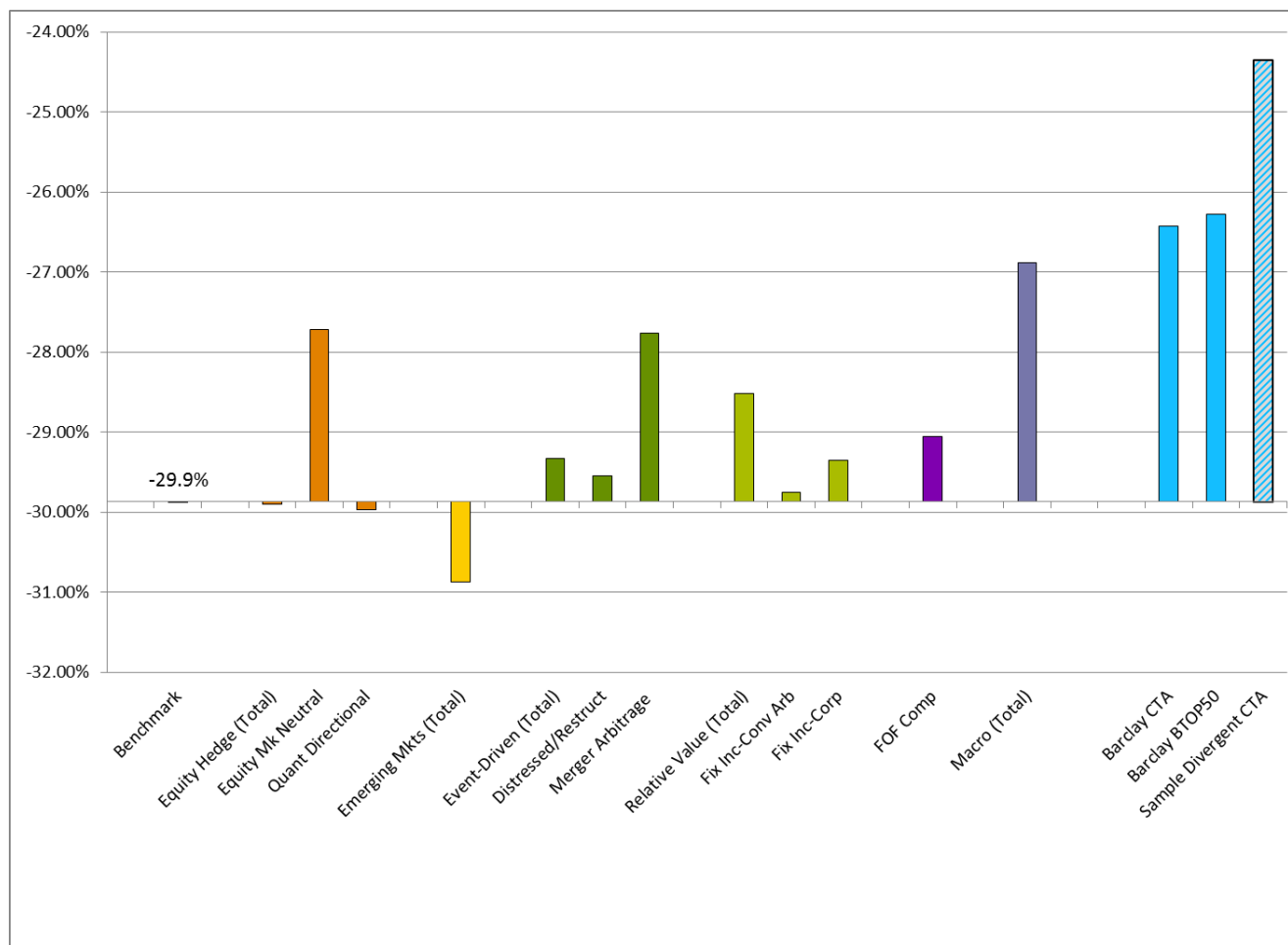


All data presented on the following charts is from Bloomberg covering period of 1990–2012 except where otherwise noted. Past performance is not necessarily indicative of future results. Index returns are unmanaged. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

Maximum Drawdown Relative to Benchmark

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January 1990 through December 2012

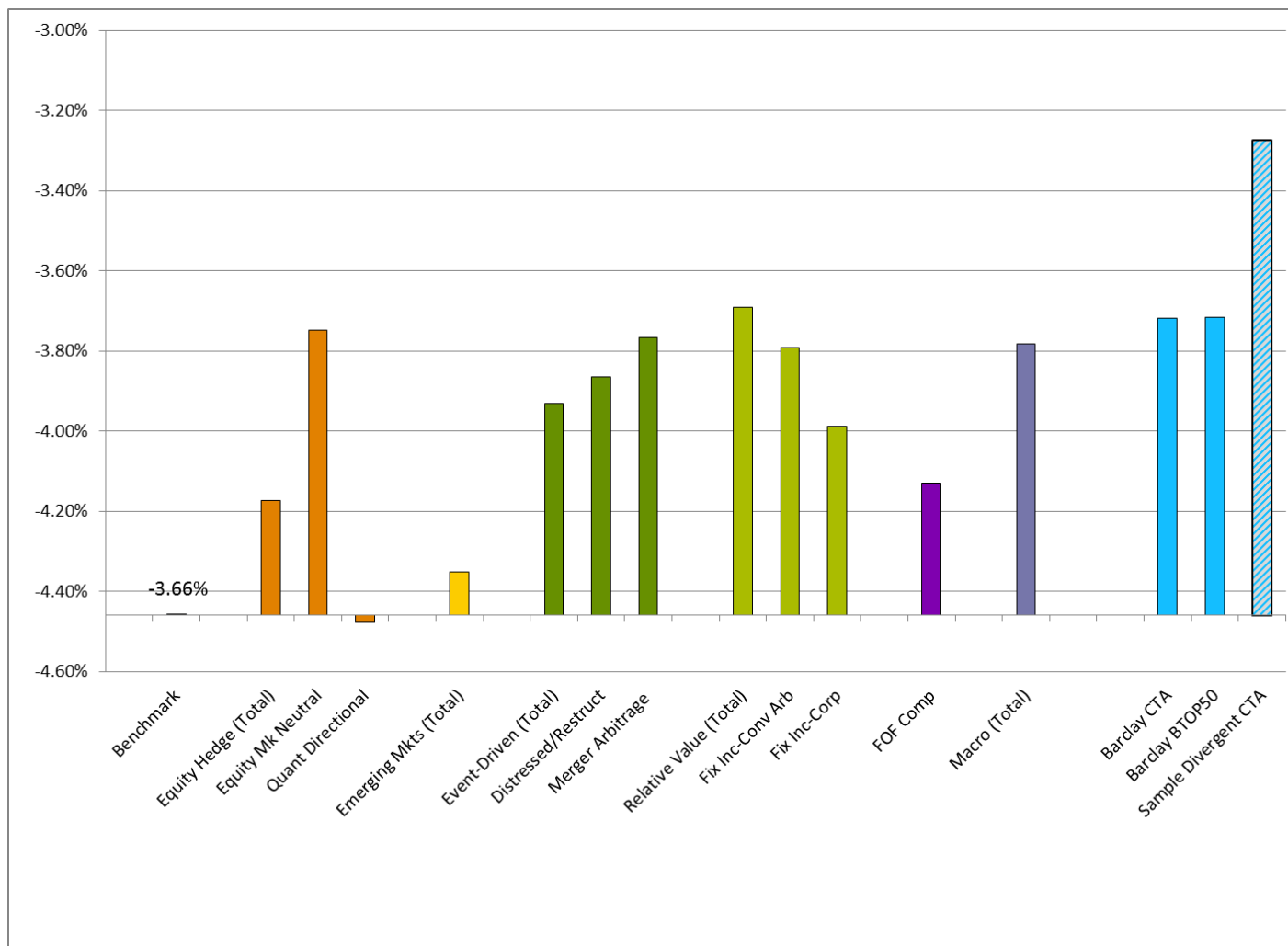


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Average Drawdown Relative to Benchmark

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January 1990 through December 2012

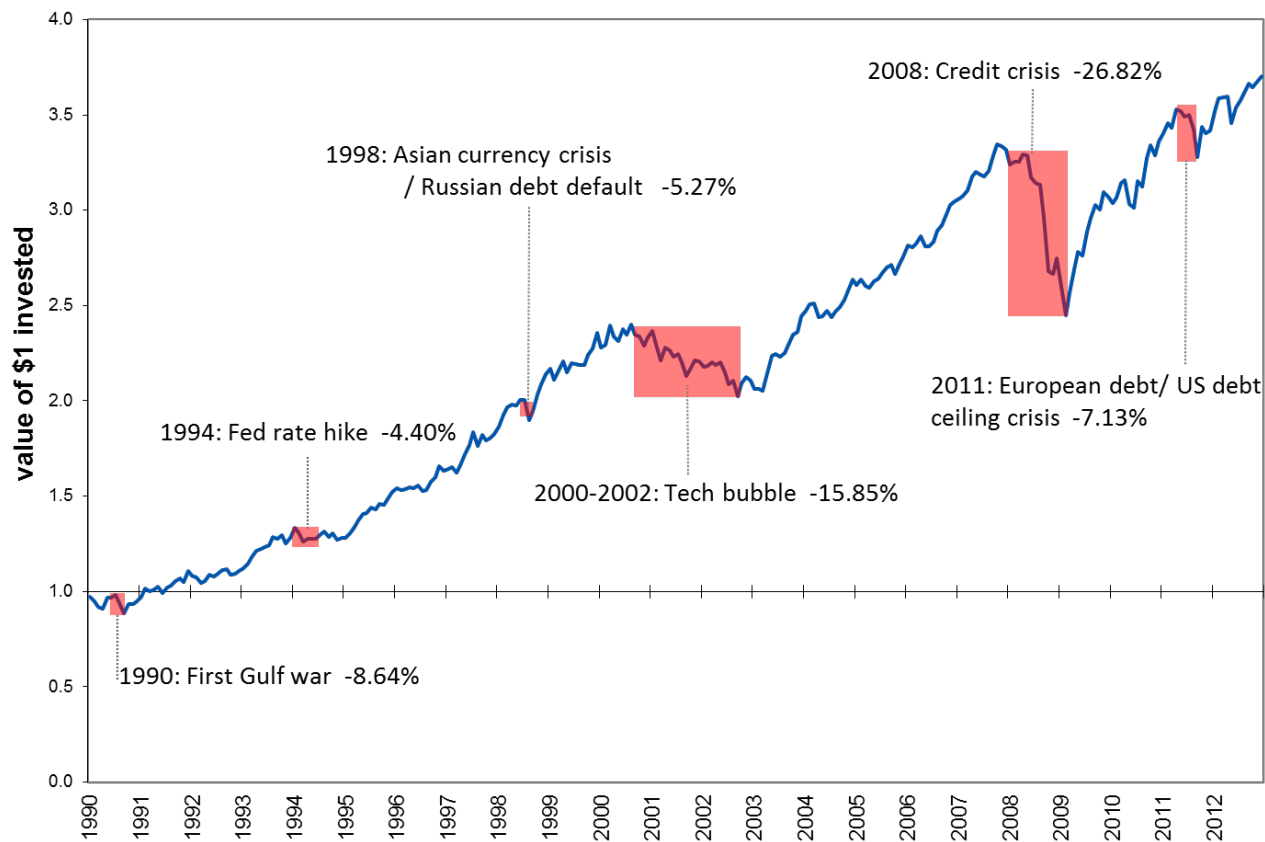


All data presented on the following charts is from Bloomberg covering period of 1990–2012 except where otherwise noted. Past performance is not necessarily indicative of future results. Worst decile (worst 10% of all months) is the worst 26 out of 264 monthly returns of the benchmark.

Benchmark Drawdowns

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

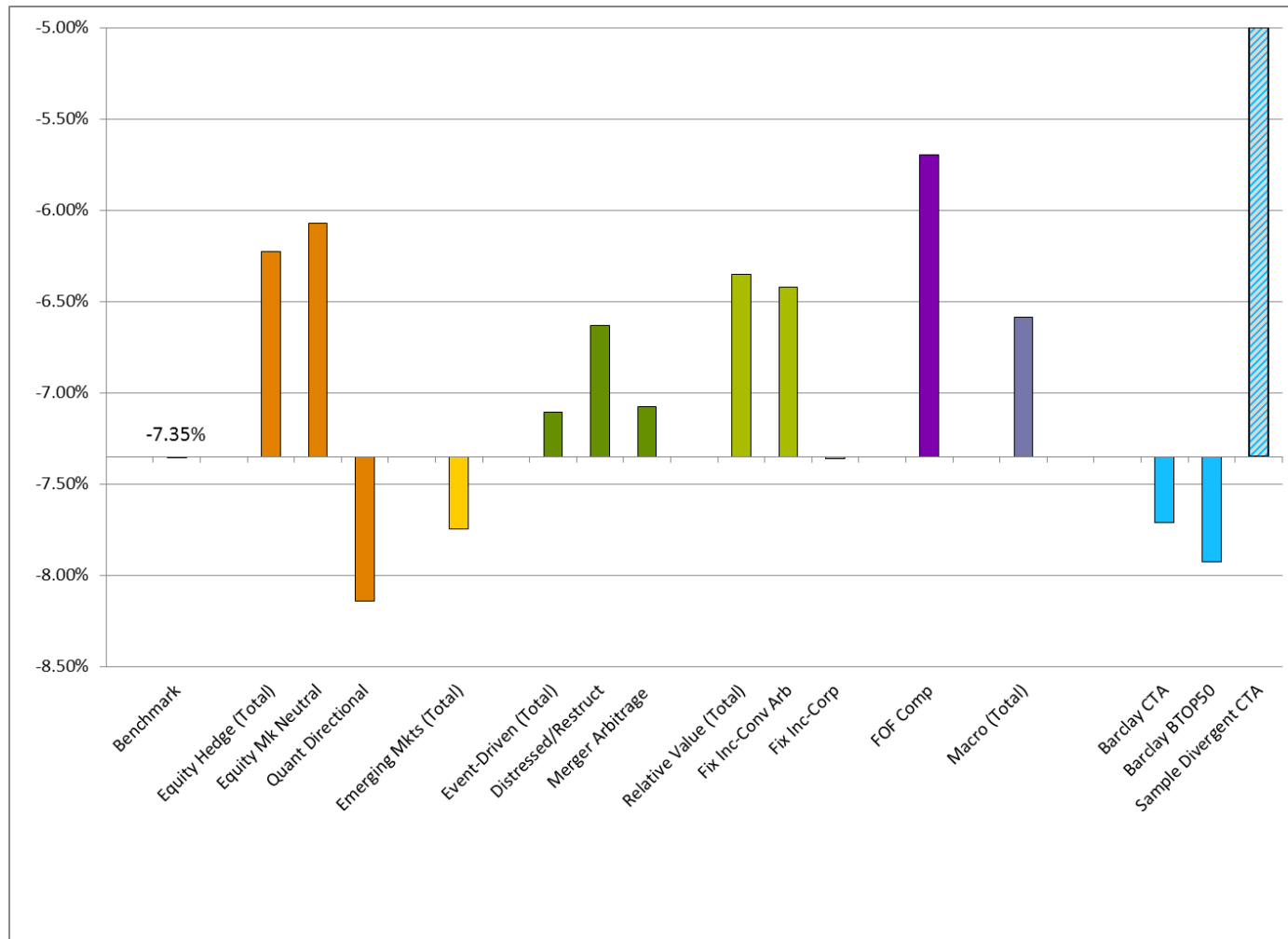
January 1990 through December 2012



All data presented on the following charts is from Bloomberg covering period of 1990–2012 except where otherwise noted. Past performance is not necessarily indicative of future results. Index returns are unmanaged. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

Relative Performance June 1990 through September 1990

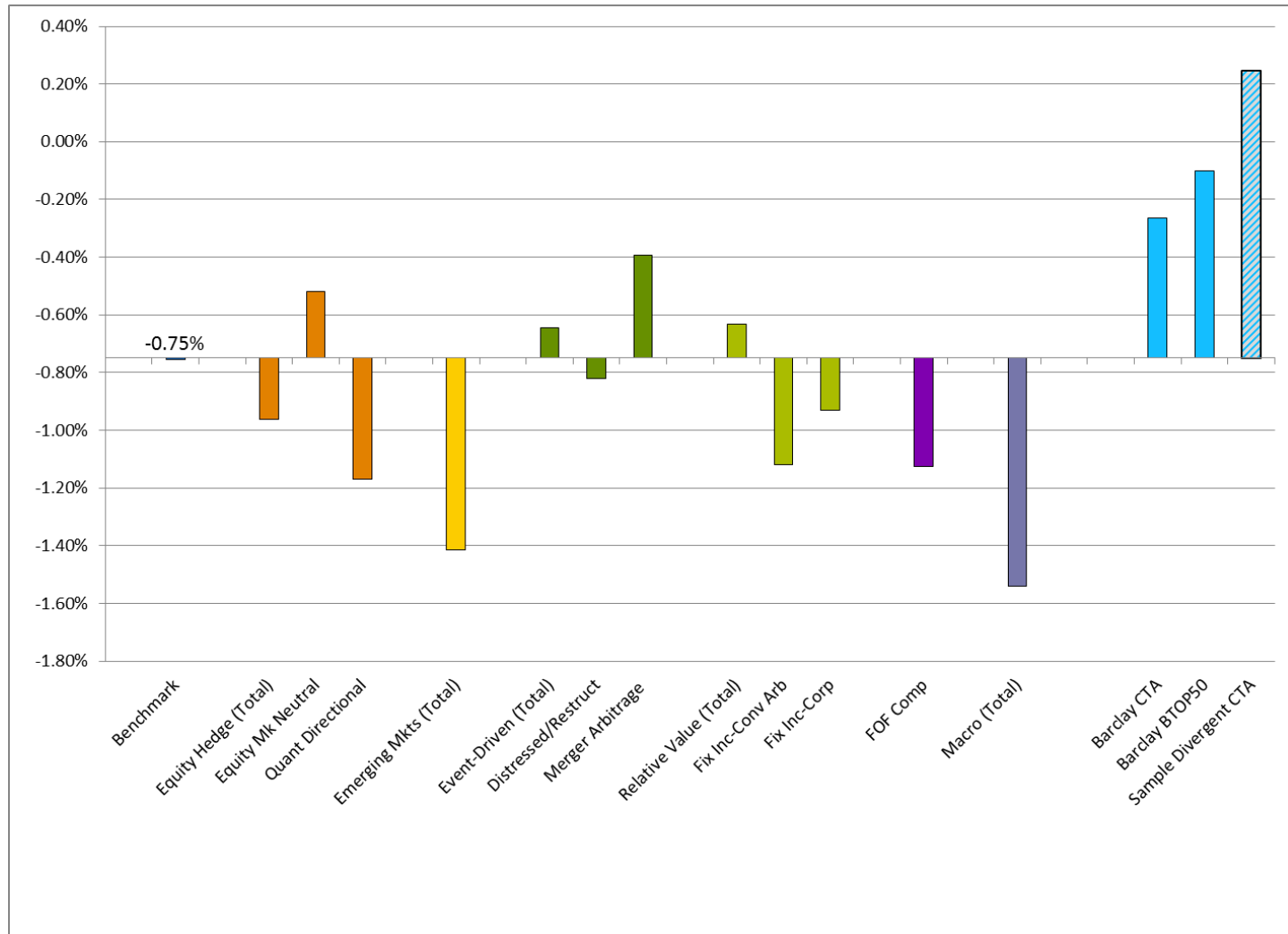
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS



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Relative Performance January 1994 through May 1994

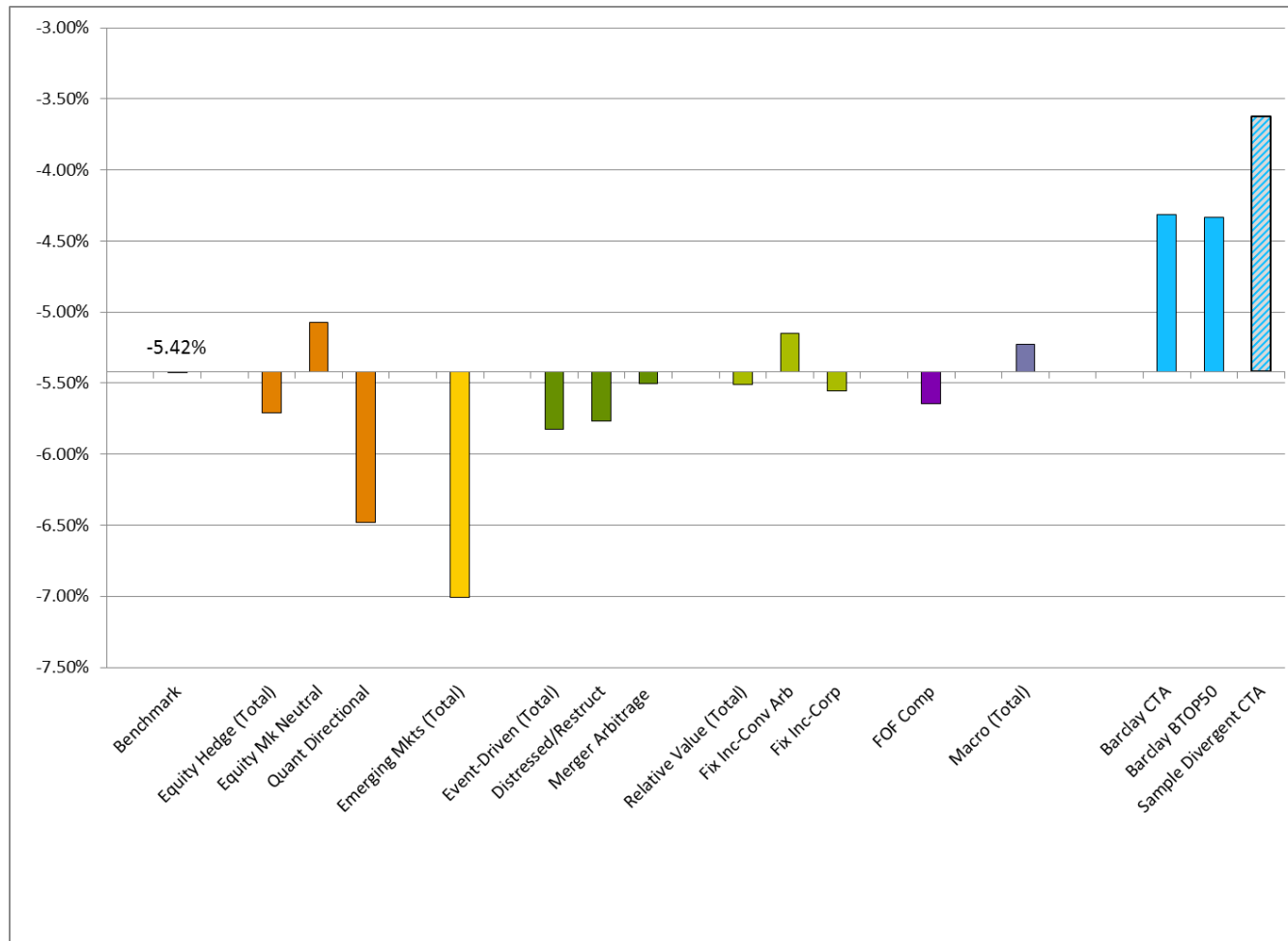
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS



All data presented on the following charts is from Bloomberg covering period indicated. Past performance is not necessarily indicative of future results

Relative Performance July 1998 to August 1998

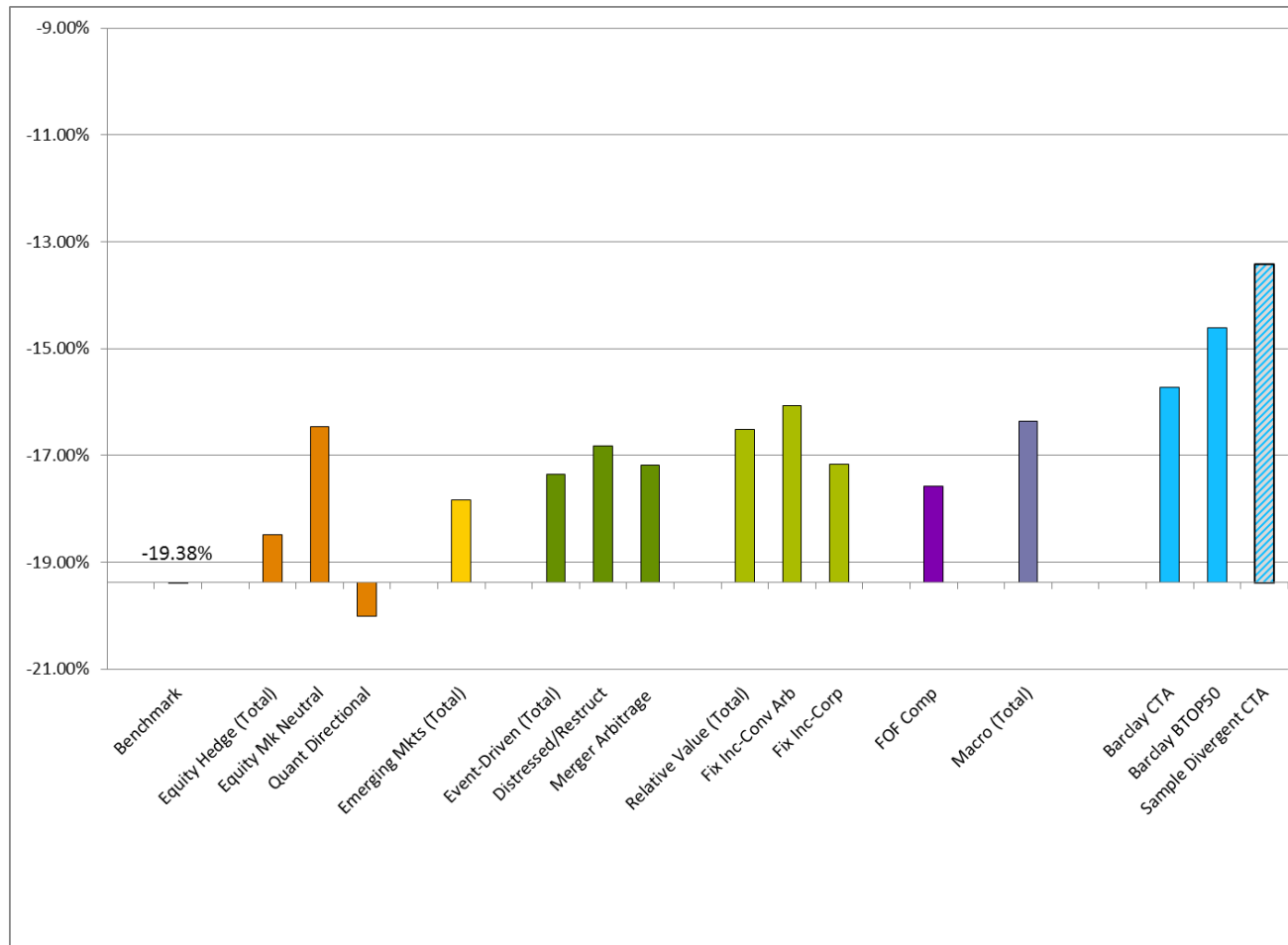
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS



All data presented on the following charts is from Bloomberg covering period indicated. Past performance is not necessarily indicative of future results

Relative Performance April 2000 through September 2002

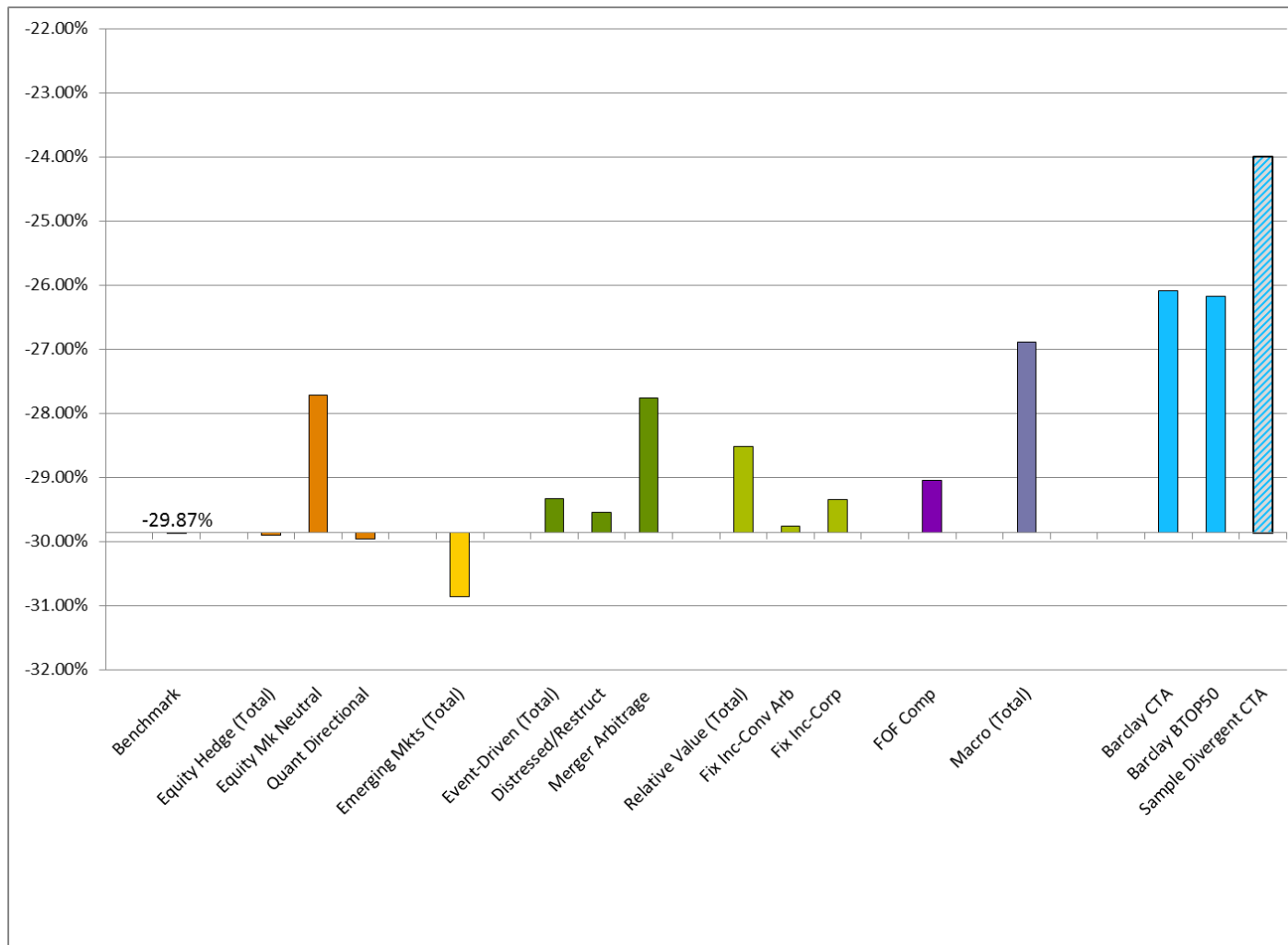
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS



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Relative Performance in 2008

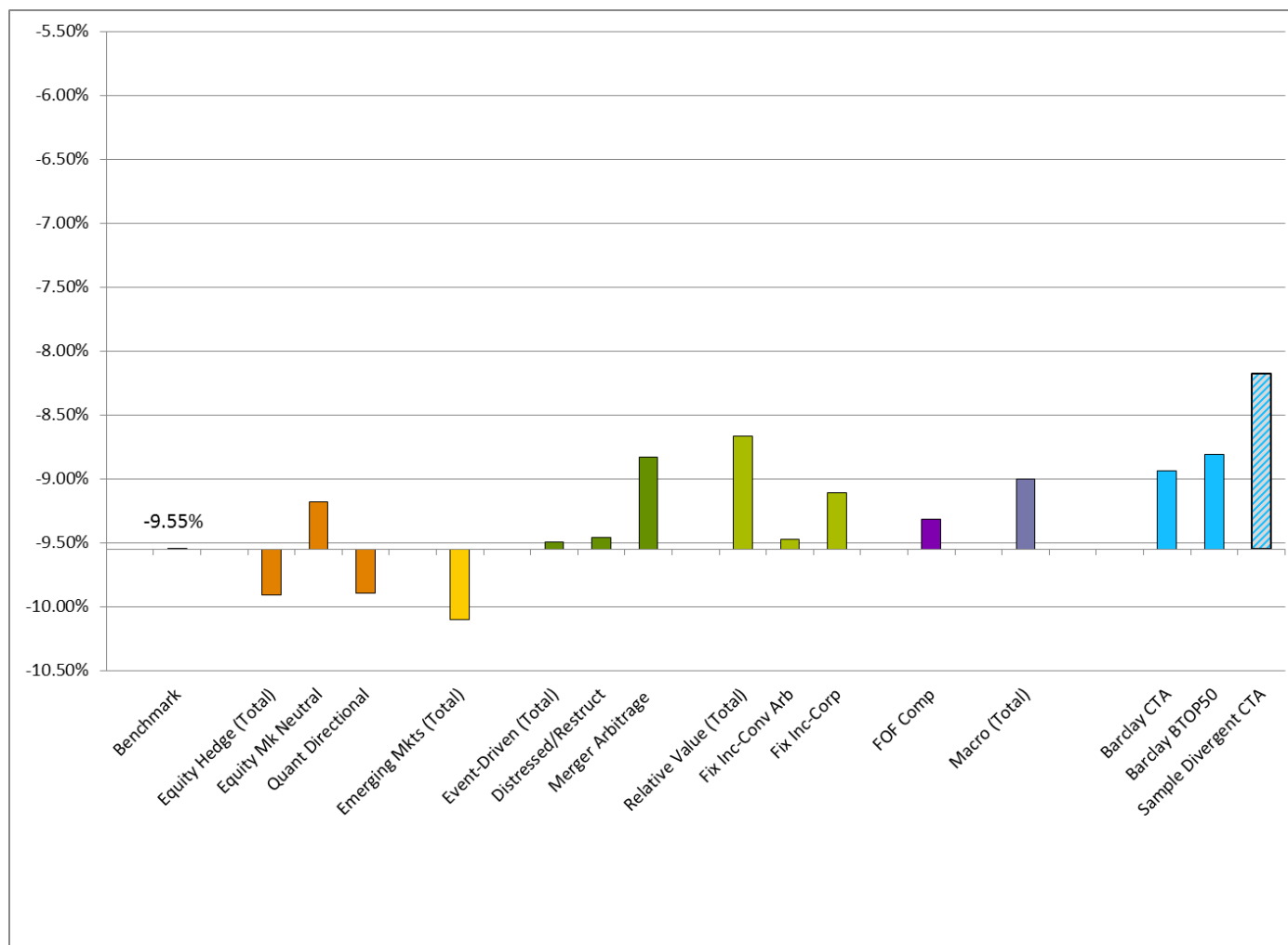
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS



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Relative Performance in 2011

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS



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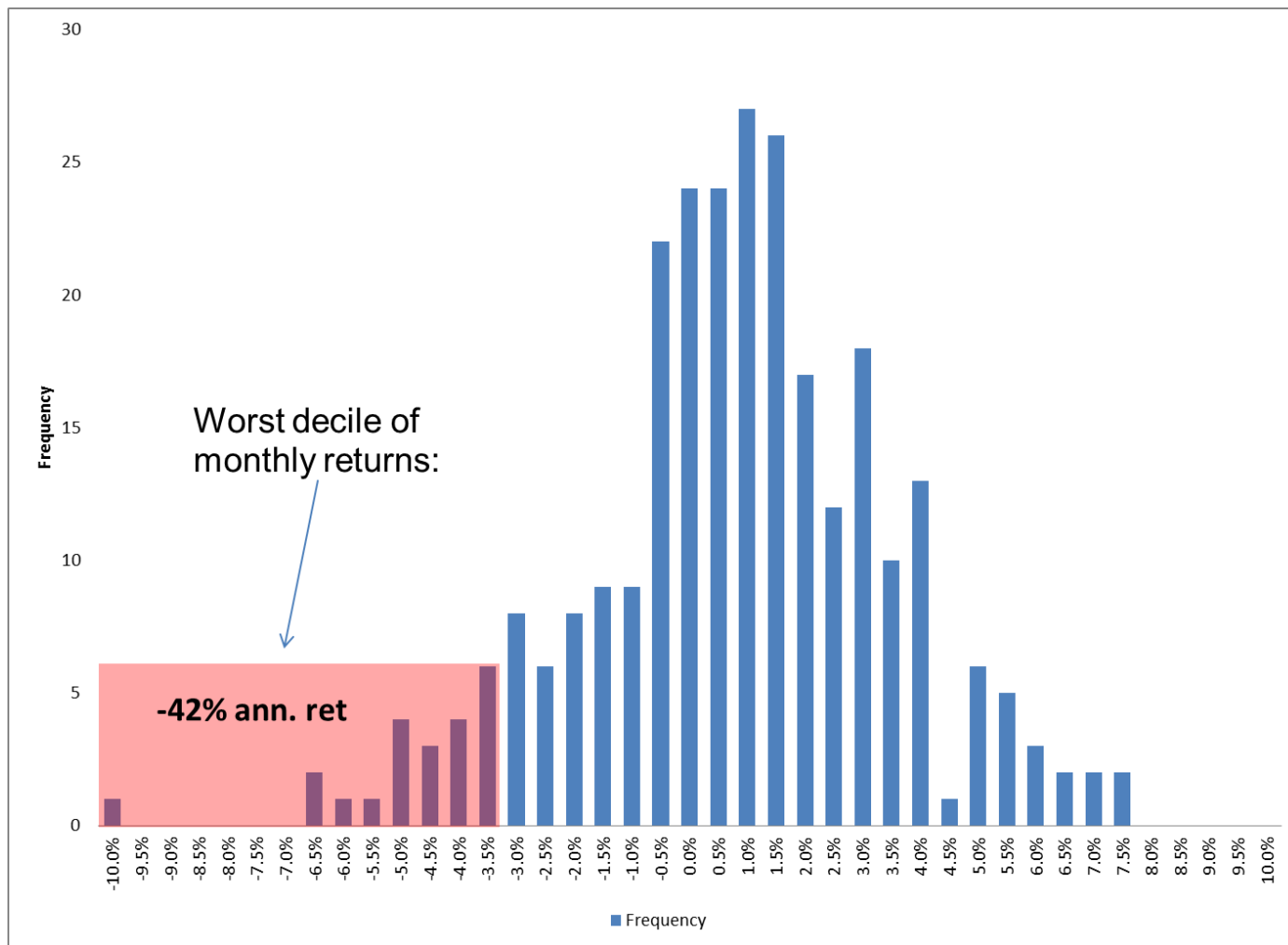
Why Can CTAs Have Such Beneficial Effects on Tail Risk?

- Early academic foundation and continued research
- Significant positive skewness characteristics
- Unusually good performance in period of negative benchmark performance

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- Professor John K. Lintner of Harvard University
- “The Potential Role of Managed Commodity-Financial Futures Accounts (and/or Funds) in Portfolios of Stocks and Bonds”
 - “The improvements from holding an efficiently-selected portfolio of managed accounts or funds are so large, and the correlation between returns on the futures portfolios and those on the stock and bond portfolios are so low (sometimes even negative), that the return/risk tradeoffs provided by augmented portfolios...clearly dominate the tradeoffs available from portfolio of stocks alone or from a portfolio of stocks and bonds.”

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

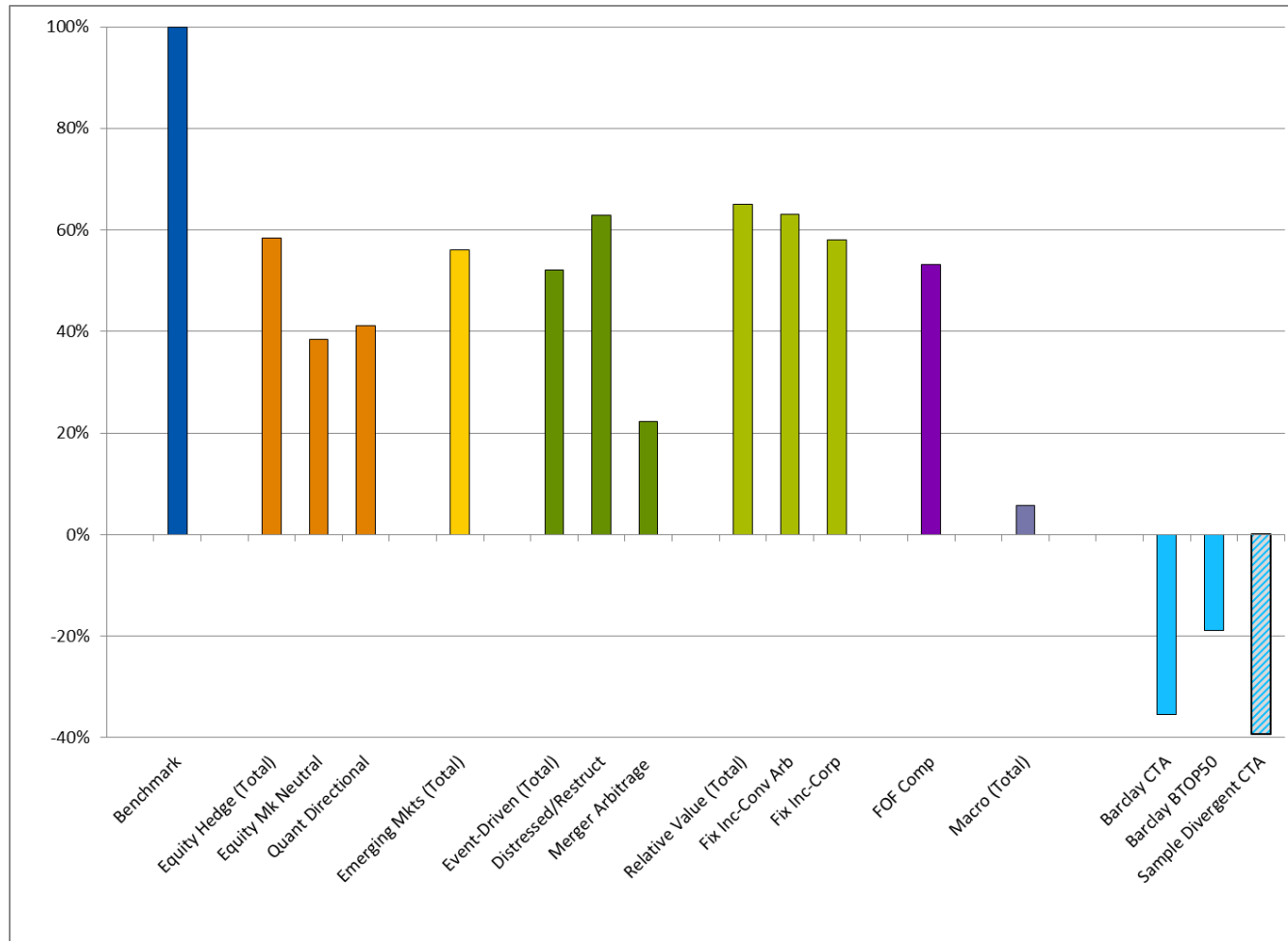


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Comparative Correlation During Benchmark's Worse Decile

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012

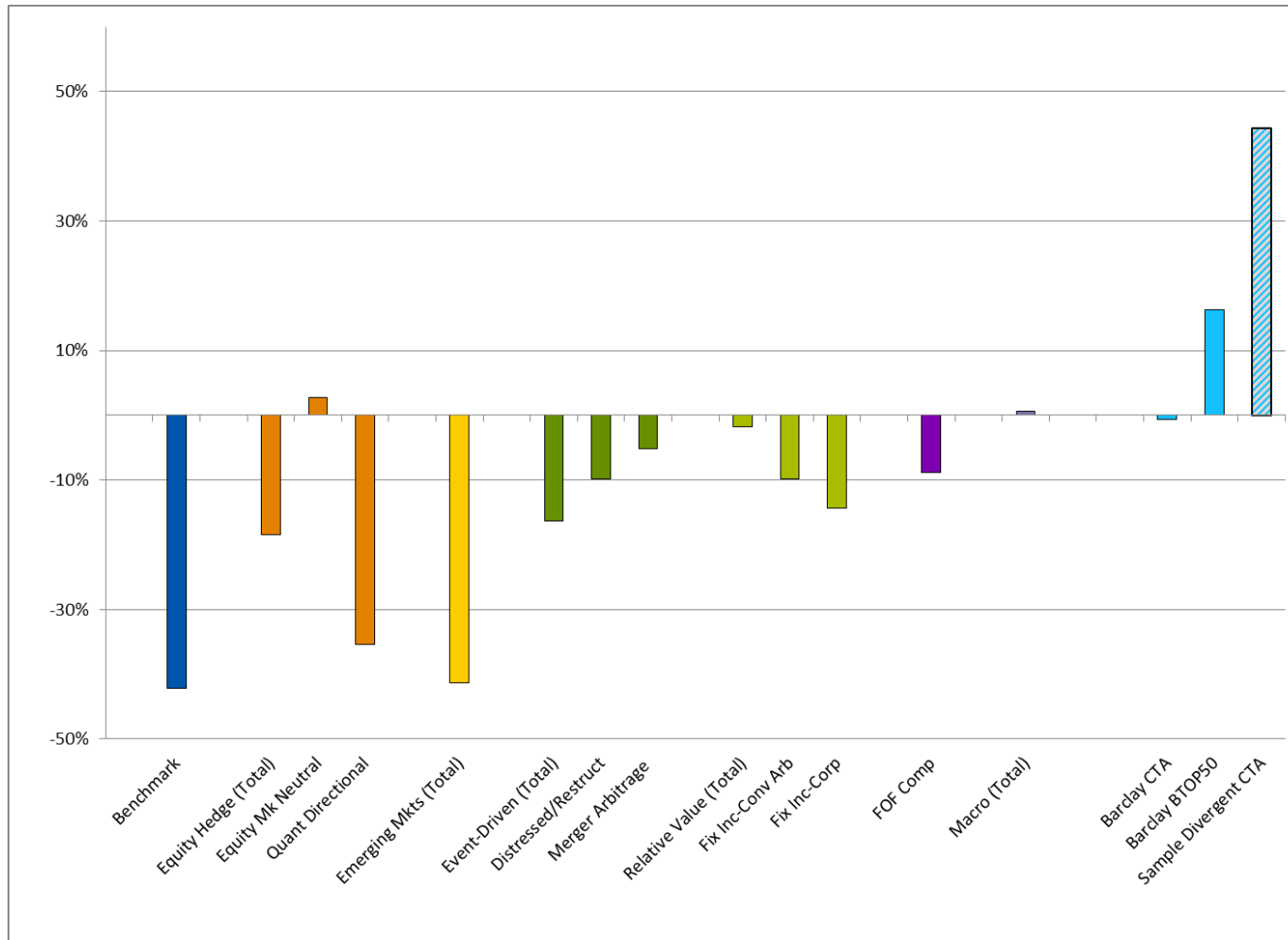


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Comparative Performance During Benchmark's Worst Decile

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January 1990 through December 2012

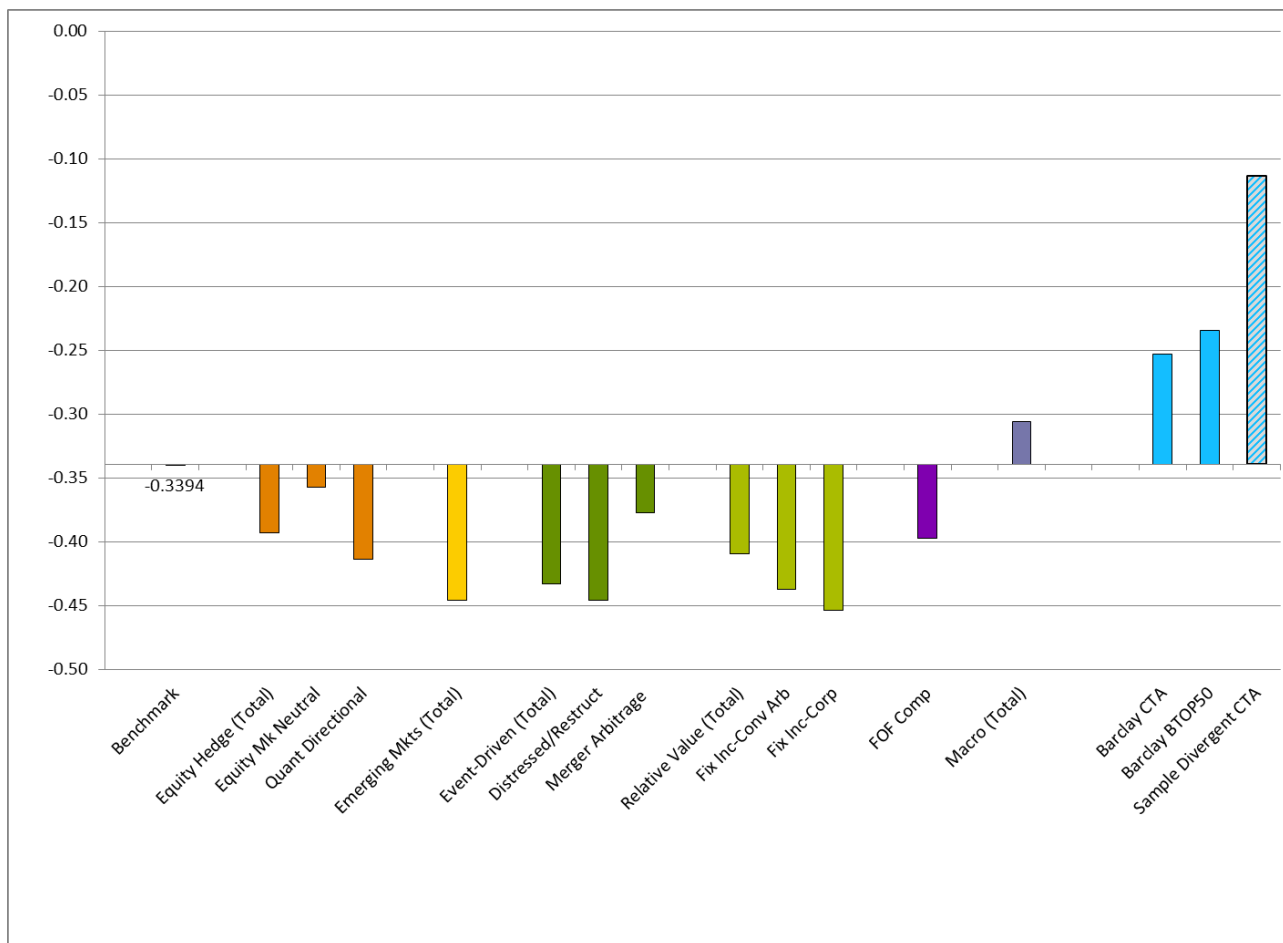


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Average Skewness Relative to Benchmark

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January 1990 through December 2012



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Managed Futures / CTA Strategies

- Liquid (monthly, no lockups / gating)
- Transparent (managed accounts)
- Uncorrelated alpha (negatively correlated in periods of stress)

Building Hedge Fund Portfolios Capable of Generating Absolute Return Within Stressful Market Environments

- Balance convergent and divergent investing approaches
- Avoid mean-variance optimizations (and optimizations in general)
- Be careful of correlations that increase during crisis events
- Consider portfolio skewness (try to minimize tail risk, coincidental drawdowns)
- There are multiple pathways to building the desired portfolio

One Possible Portfolio

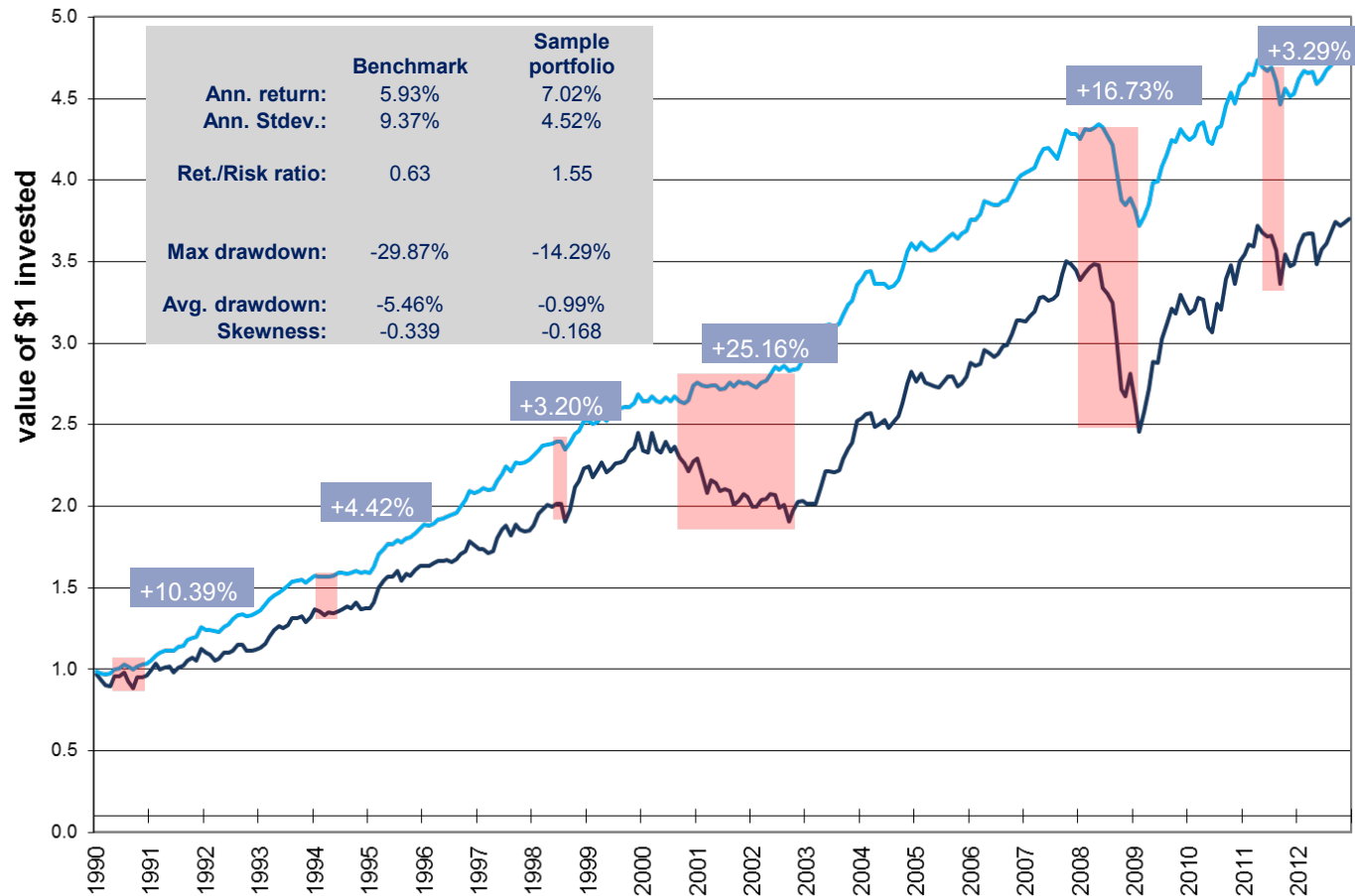
- Equity exposure :
 - MSCI World Index 15 %
 - HFRI Market Neutral Index 25 %
- Fixed Income exposure:
 - Citi WGBI 5-7 World Bond Index 20 %
 - HFRI Relative Value Index 20 %
- Divergent exposure
 - Sample Divergent CTA* 20%

* SSARIS Diversified Trading Program (DTP)

Sample Portfolio vs. Benchmark

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

January 1990 through December 2012



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Disclaimers

- HFRI Indexes are not investable (but HFRX history is much shorter)
- Model performance results have inherent limitations
- The allocations presented involve substantial strategy concentrations

PAST PERFORMANCE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Purposes of Document. This document has been prepared solely for the purposes of (i) determining your level of interest in the Strategies, and (ii) providing general background information on the Strategies.

SSARIS Diversified Trading Program. Performance returns are time weighted, unaudited and reflect a composite commencing March 1983 of all fully funded accounts managed using the SSARIS Diversified Trading Program (the "Strategy"). Performance presented since the inception of the composite through April 2001 represents the Strategy's track record established by the predecessor firm to SSARIS Advisors, LLC ("SSARIS"). Performance from May 2001 forward represents the Strategy's track record achieved by SSARIS. The performance information includes interest income, the deduction of brokerage commissions (proforma1%), the deduction of SSARIS' annual management fee (proforma1%) and the deduction of SSARIS' quarterly incentive fee (pro forma 20% based upon net new appreciation above the U.S. 91 Day T-Bill Rate).

Actual client results may vary depending upon different fee arrangements and timing of investments.

Any model performance shown does not represent the profit or loss resulting from actual trades. These results are based on simulated performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under-or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

Significant Risk Involved. Current and prospective investors should clearly understand the significant degree of risk involved with investing in any alternative investment strategy, including the Strategies. The Strategies are available only to qualified investors of substantial financial means that have no need for immediate liquidity in this investment and who have reviewed detailed information concerning investment terms and risks. These risks may include the following: The Strategies may use leverage, is speculative, involves a high degree of risk and may not provide diversification; performance can be volatile, and an investor could lose a substantial amount or all of the investor's investment; the investor does not retain any trading authority over assets placed with SSARIS; an investor's account may not be liquid or transferable; fees and expenses may offset trading profits; SSARIS may be subject to certain conflicts of interest; and the Strategies may execute a substantial portion of the trades on foreign exchanges.

Allocation by Strategy. Any allocation by strategy depicted in this document represents the allocation by fair value (calculated in accordance with SSARIS' valuation policies and procedures) as of the date indicated. The allocations are for illustrative purposes only and are not necessarily indicative of the particular allocations/strategies employed at any given time subsequent or prior to the indicated date. The various categories and classifications noted in this chart were determined by SSARIS, based upon the best information available to SSARIS as of the time of this document, and could be materially different from other third-party classification systems.

Characteristics of the Strategy; No Diversification. All information in this document is for illustrative purposes only. The actual structure of each Strategy, including assets to be acquired and the composition of each Strategy's portfolio, will be determined over the course of each Strategy's investment period, based upon market conditions and other factors applicable at that time. The actual composition of each Strategy's portfolio may therefore be materially different from the parameters presented in this document and may change over time. There are no loss limits or diversification requirements imposed upon a Strategy except as expressly set forth in a Strategy's organizational documents and offering memorandum.

Ability to Alter Strategies Employed by SSARIS. Notwithstanding the information presented in this document, investors should understand that SSARIS is not limited with respect to the types of investment strategies it may employ or the markets or instruments in which it may invest (subject to the terms of the offering and governance documents of any given fund or account, including the Strategy). Over time, markets change and SSARIS seeks to capitalize on attractive opportunities wherever they might exist. Depending on conditions and trends in the capital markets and the economy generally, SSARIS may pursue objectives or employ techniques it considers appropriate and in the best interest of a Strategy, which may differ from the objectives, techniques or investments presented in this document.

No Assurances. No assurance can be given that a Strategy's investment objective will be achieved. References to investment objectives, target returns or other goals sought in employing a particular investment strategy are aspirational only and should not be considered a guarantee that such results will be achieved.

Information for Qualified Eligible Persons Only; No Offer or Solicitation. This document is intended for qualified eligible persons as defined in U.S. Commodity Futures Trading Regulation 4.7. This summary is intended solely to describe certain important elements of the Strategy. This summary does not constitute an offer to sell to any person, or a solicitation of an offer to purchase the securities of any pooled investment vehicle. Any such offer may only be made by private placement memorandum or other offering documents issued by such pooled investment vehicles, and the information provided herein is qualified in its entirety by the information contained in such disclosure documents. Any decision to invest should be made solely in reliance upon such documents. No offer of any interest in any product will be made in any jurisdiction in which offer, solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation or sale. The Strategy is not registered under the U.S. Investment Company Act of 1940, as amended, in reliance on an exception thereunder. Interests in the Strategy have not been registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of said Act and such laws.

Disclosures

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE IS NOT REQUIRED TO BE, AND HAS NOT BEEN FILED WITH THE COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS BROCHURE.

Benchmarks and Indices. No current or prospective investor should assume that future performance will be profitable, or equal to the performance results reflected in any of the following benchmarks or indices.

Barclay CTA Index ("Barclay CTA") is a leading benchmark of representative performance of commodity trading advisors. The programs included in the Barclay CTA are unweighted and rebalanced at the beginning of each year. To qualify for inclusion in the Barclay CTA an advisor must meet specific requirements, including that an advisor must have four years of prior performance history. Barclay CTA is different from the discussed Strategy in many regards.

Barclay Capital Global Aggregate Bond Index ("Barclay CGAB") is a benchmark of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The Index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment-grade 144A securities. Barclay CGAB is different from the discussed Strategy in many regards.

Barclays Capital U.S. Aggregate Bond Index ("Barclays Aggregate") is based on the preeminent benchmark debt index for U.S. investment-grade fixed income securities. The index covers the U.S. dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The Barclays Aggregate is different from the discussed Strategy in many regards.

Barclays BTOP50 The BTOP50 Index seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure. BTOP50 employs a top-down approach in selecting its constituents. The largest investable trading advisor programs, as measured by assets under management, are selected for inclusion in the BTOP50.

HFRX Global Hedge Fund Index ("HFRXGL") data commencing April 1, 2003 was obtained from Bloomberg, L.P. HFRXGL is designed to be representative of the over all composition of a diversified investable hedge fund universe. It is comprised of eight strategies that are asset based on the distribution of assets in the hedge fund industry. Constituent funds are selected based on set criteria. HFRX returns reflect constituent fund management fees, incentive fees, dividends and other distributions. HFRX is different from the discussed Strategy in many regards.

HFRX Macro/CTA Index("HFRXM") is designed to be a benchmark of hedge fund industry performance for a single strategy i.e. macro strategy. Constituent funds are selected based on set criteria. HFRXM commenced April 1, 2003 and values provided prior thereto are calculated by means of retroactive application of the index model. HFRXM returns reflect constituent fund management fees, incentive fees, dividends and other distributions. HFRXM is different from the discussed Strategy in many regards.

MSCI World Free Index ("MSCIWF") is an unhedged, diversified market capitalization weighed index of common stocks of companies located in developed countries across North America, Europe, and the Asia/Pacific Region. MSCIWF is different from the discussed Strategy in many regards, including that it is an unmanaged portfolio.

The Citi World Government Bond 5-7 Year Index includes the 23 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

NewEdge AlternativeEdge Short-Term Traders Index ("AltEdge STTI") is designed to track the daily performance of a portfolio of Commodity Trader Advisers and Global Macro managers executing diversified trading strategies with a less than 10-day average holding period. AltEdge STTI is different from the discussed Strategy in many regards.

NewEdge CTA Index ("NewEdge CTA") (formerly Calyon Financial Barclay Index) calculates the daily rate of return for a pool of CTAs selected from the larger managers that are open to new investment. Selection of the pool of qualified CTAs used in construction of the Index is conducted annually, with re-balancing on January 1st of each year. According to Barclay, a committee of industry professionals monitors the methodology of the index on a regular basis. It is different from the discussed Strategy in many regards.

Disclosures

Hedge Fund Research, Inc. has constructed an accurate, relevant, robust and contemporaneous Strategy Classification System for all investment managers present in the HFR Database. The classifications reflect the evolution of strategic trends in the hedge fund industry, cognizant of the reality that over market cycles the classification system is likely to continue to evolve, as new opportunities attract investor capital. The objective of the system is to define pure strategy and sub-strategy buckets which can be used to characterize pure strategy return at each level of analysis, to be used for purposes of quantitative index construction.

HFI Fund of Funds Composite Equal-weighted Index that includes over 650 constituent domestic and offshore funds. All funds report assets in USD ,have at least \$50 Million under management or have been actively trading for at least twelve (12) months , and report Net of All Fees returns on a monthly basis.

All the historical benchmark and index performance results shown are provided exclusively for comparison purposes only, so as to provide general comparative information. It should not be assumed that a Strategy's holdings will correspond directly, or indirectly, to the comparative benchmarks or indices shown.

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