

# Equilibrium Investment Management

a balance between return, risk and capital preservation



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- The information presented is not intended to and shall not in any way constitute an invitation to invest in any particular product or security. It is solely for information purposes. The information in this document does not constitute accounting, tax, regulatory or legal advice. Individuals with questions in those areas should seek the advice of a qualified attorney, accountant, and/or tax expert.
- Past results are no guarantee of future performance. No representation is made that any returns indicated herein will actually be achieved.



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## Agenda:



- Our Investment Management Team
- Investment Objectives
- The benefits of Non-correlation
- Our Client Approach
- Investment Process/Results
- Summary
- Appendix

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# Equilibrium Investment Management

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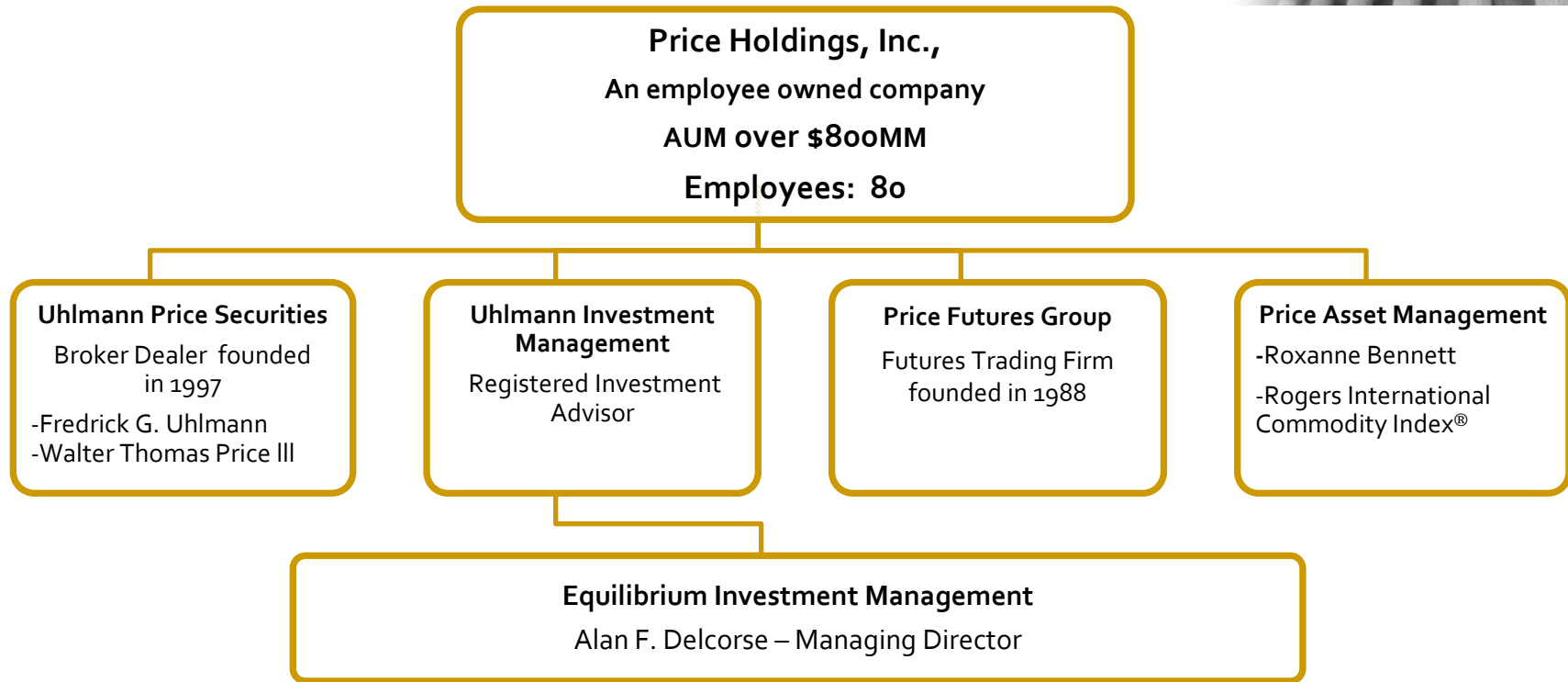
## Our Investment Management Team

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# The strength behind our Team



**Our corporate pledge:** Our clients' trust and interest will always come first. Ethical conduct and integrity will not be compromised.

**Our corporate mission:** To provide our clients with professional, independent and experienced guidance in selecting appropriate traditional and/or alternative investment solutions



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# Equilibrium Investment Management-

## Our Portfolio Management Team



- **Alan Delcorse- Sr. Portfolio Manager, Managing Director-Equilibrium Investment Management**
  - 28 years of industry experience
  - 17 years of in-depth experience in non-traditional investing
  - World class firms- Merrill Lynch, Calamos Investments, Man Investments
  - Trained thousands of Advisors in allocating to non-traditional investments
- **Alan Konn- Portfolio Manager , Director and Sr. VP– Price Holdings, Inc.**
  - 25 years of industry experience
  - 17 years with William Blair & Co.
  - 8 years of in-depth experience in non-traditional investing
  - Recognized authority in the commodity asset class
- **Myles Wagner- Manager of Research**
  - Responsible for investment research, portfolio modeling and support in portfolio construction
  - Prior experience -internship at Denison University Investment office as an Alternative Investment Analyst
  - Areas of experience: hedge funds, private equity, managed futures, commodities



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# Equilibrium Investment Management

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## Our Investment Objectives

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## Investment objectives-

While results cannot be guaranteed, our approach seeks to:



- Create portfolios with a traditional foundation of equities for growth and bonds for income and stability
- Provide value-added portfolio characteristics and return advantages to comparable traditional portfolios
- Utilize investments that have historically provided capital preservation potential
- Employ non-correlating investments which historically have increased a portfolio's return while decreasing volatility

*"introducing non-correlating investments into a traditional portfolio of stocks, bonds and cash can reduce volatility and increase returns"*

*Benefits of Commodity Investment 2005*



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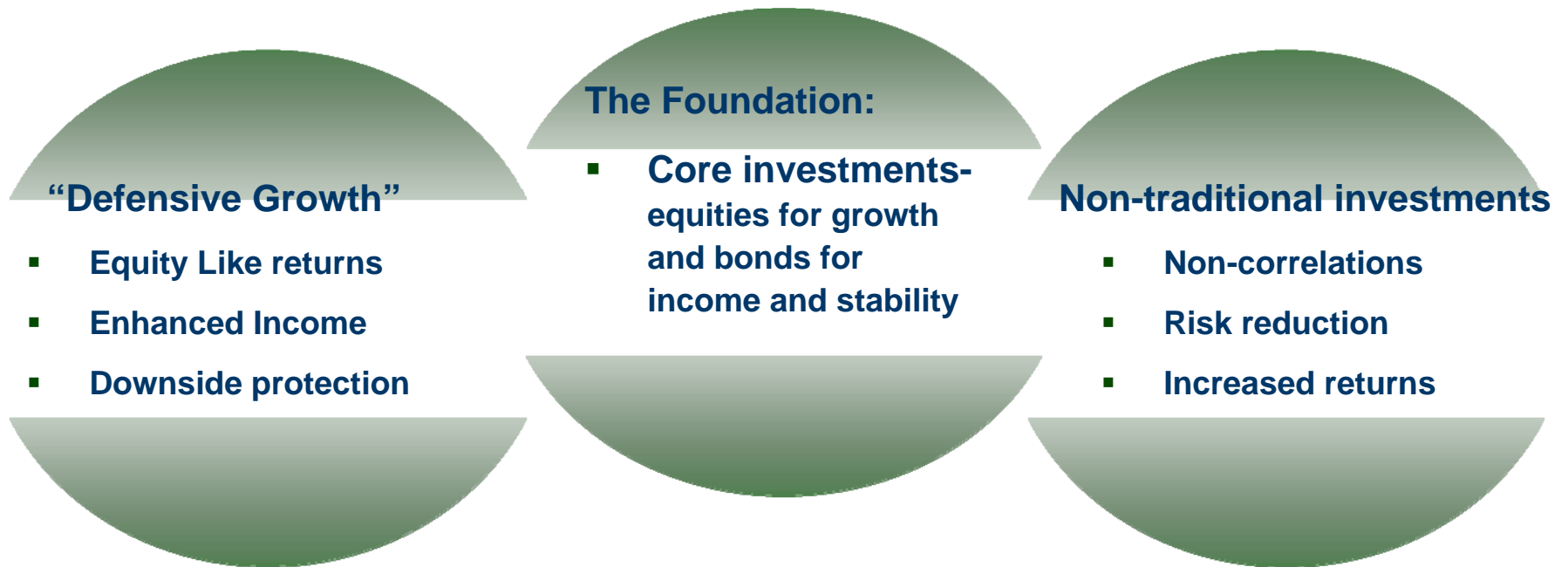
# Asset Allocation

“ asset allocation makes up 91.5% of an investor’s variance of portfolio returns”



-Financial Analysts Journal May/June 1991.

- Objective: utilize core investments as the foundation and add in the unique benefits of “defensive growth” and non-traditional investments



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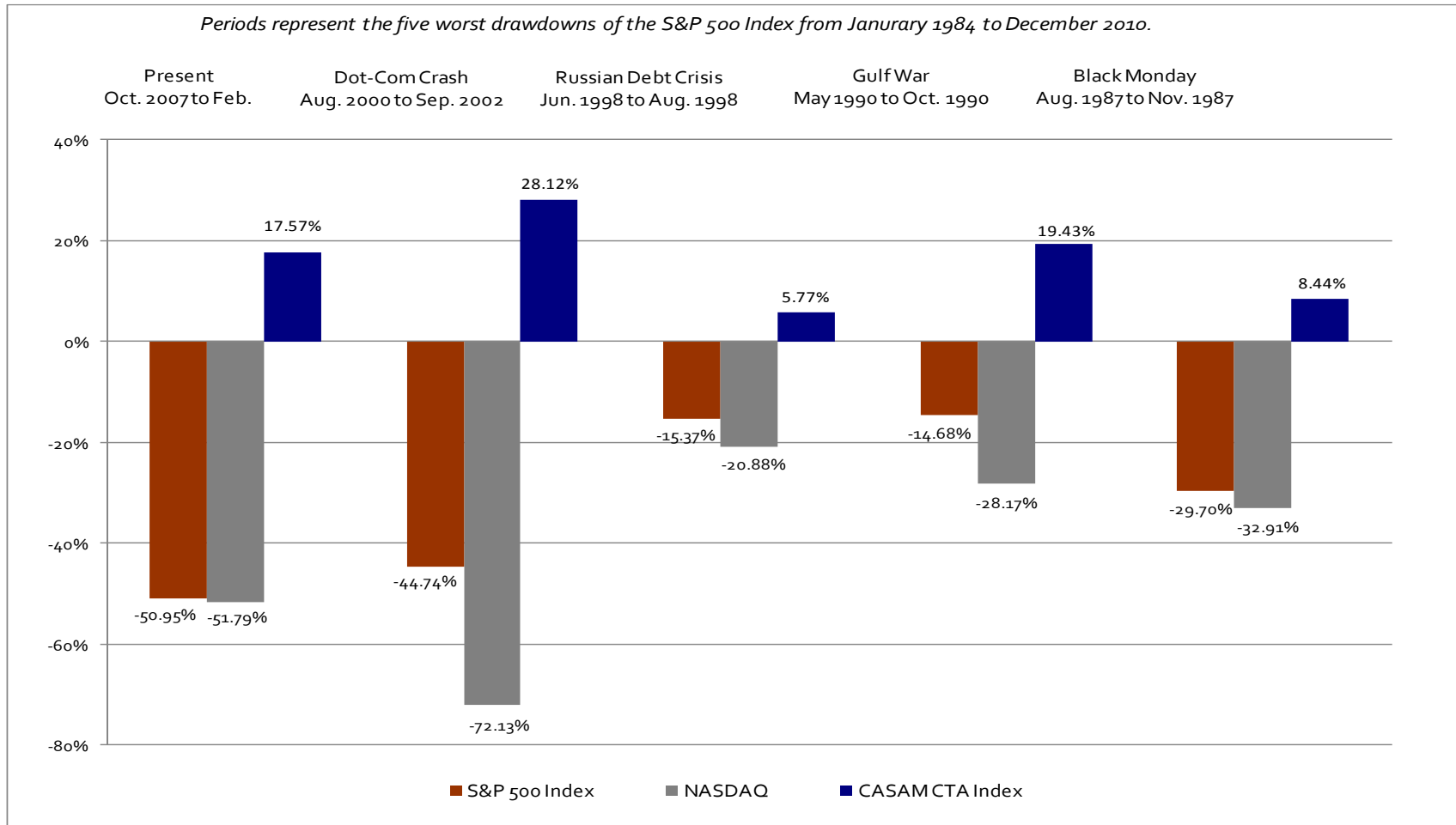
## The Benefits of Non-Traditional Investments

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# The benefits of non-traditional investments- Non-Correlation in Action



*\*Drawdowns based on month end closing prices*



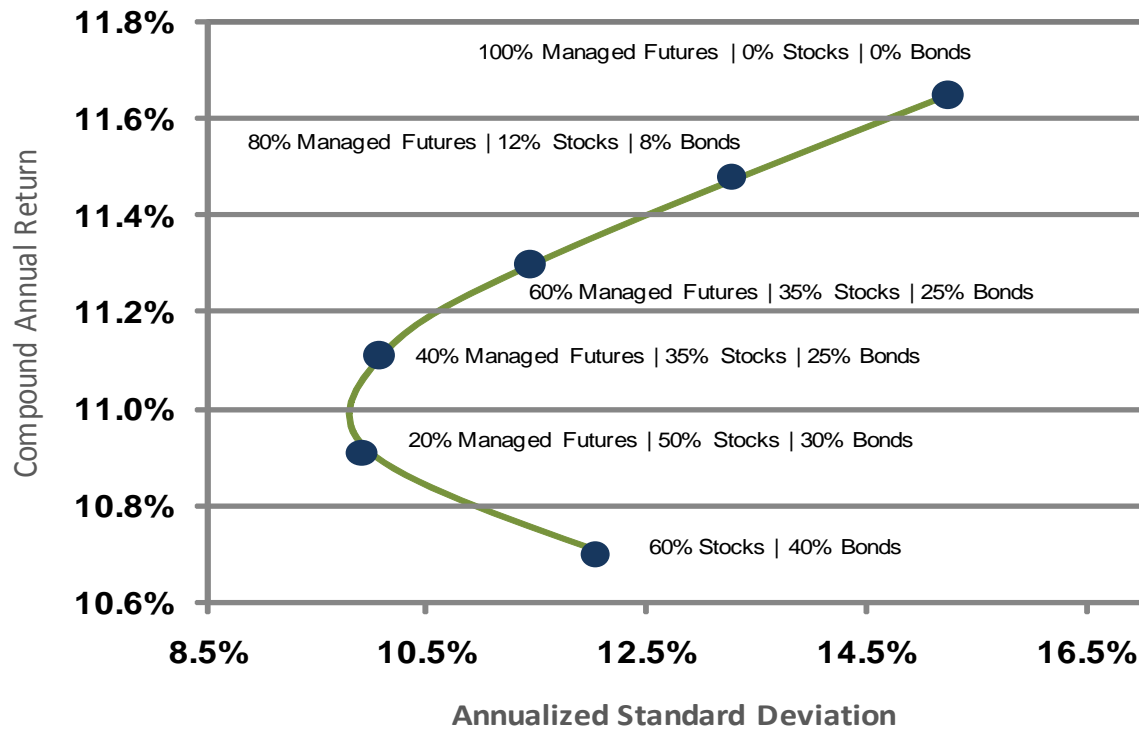
# The benefits of non-traditional investments- Managed Futures in a Traditional Portfolio



## Hypothetical Effect of Blending Managed Futures with Stocks & Bonds

January 1980 through December 2010

Past performance is not a guarantee of future results



- Managed futures can offer an important advantage when added to a traditional portfolio mix.
- A gradual introduction of managed futures increases overall portfolio performance while decreasing the associated risk.

Stocks, bonds, and managed futures are represented by the S&P 500 Index, JP Morgan US Aggregate Bond Index, and Barclay CTA Index, respectively.



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## Our Client Approach- Stewardship:

*“the careful and responsible management of that which has been entrusted to one’s care”*



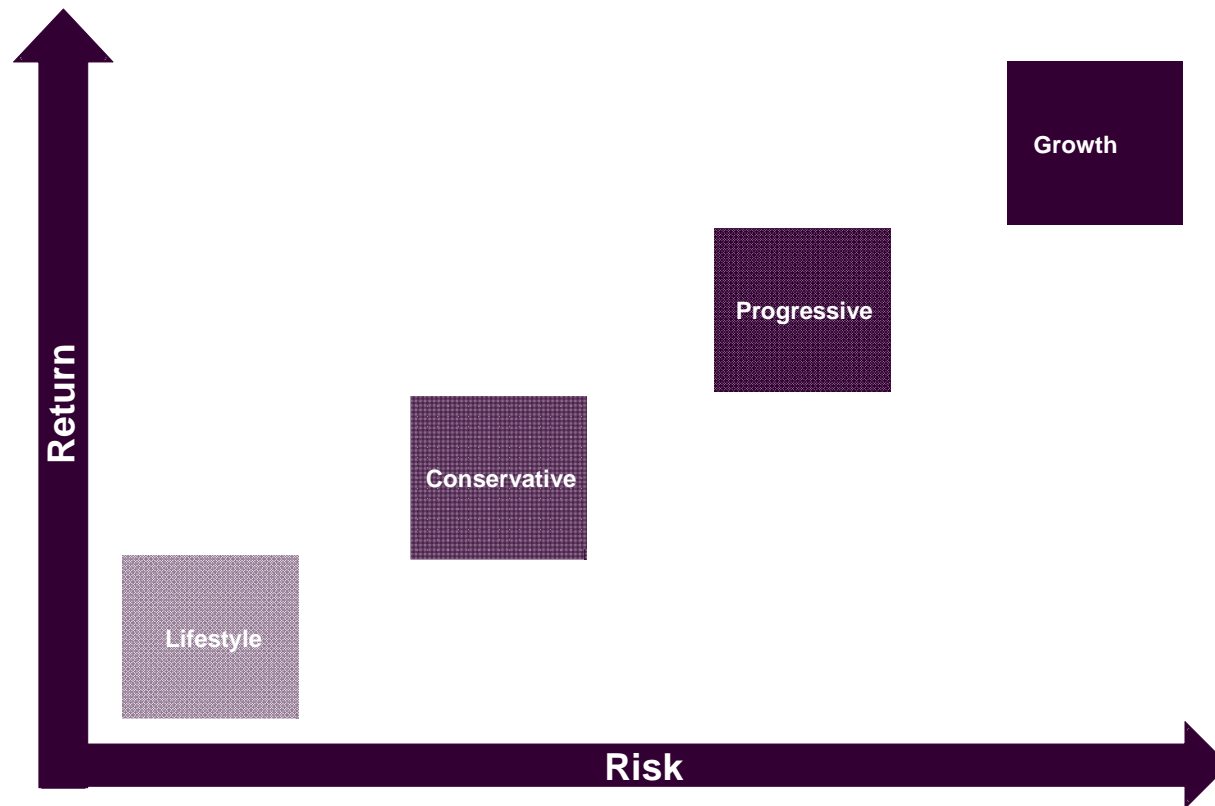
- Create portfolios with each client’s risk tolerance and financial objectives in mind
- Empathy for a client’s investment goals and concern for capital preservation
- As an independent Registered Investment Advisor, portfolios are managed without bias towards “house products”
- Clients deserve an Advisor with an expanded knowledge of investments
- Respect for each client, seeking trust in every relationship



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# The results of our investment process

Value-added portfolios to meet your specific objectives



- Return Objectives
- Risk Tolerance
- Capital Preservation

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## Summary – the value proposition



- The strength of our firm and investment team
- Dedicated client-focused approach
- A balance between return, risk and capital preservation
- A traditional foundation of equities for growth and bonds for income and stability
- In-depth experience in the strategic use of non-traditional investments
- The knowledge that non-correlation is key to enhancing a portfolio's characteristics



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# Equilibrium Investment Management

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- How to access us:
  - **Comprehensive Portfolio**- a complete portfolio relationship based upon each client's individual needs
    - In a traditional approach of asset allocation, or
    - In an enhanced approach also utilizing non-traditional investments
  - **Complement Portfolio**- investment management of a specific portion of a client's entire portfolio to focus on the benefits of both non-traditional and defensive equity
  - **EIM Consistent Return Strategy**- please ask for details

**Alan Delcorse, Managing Director**

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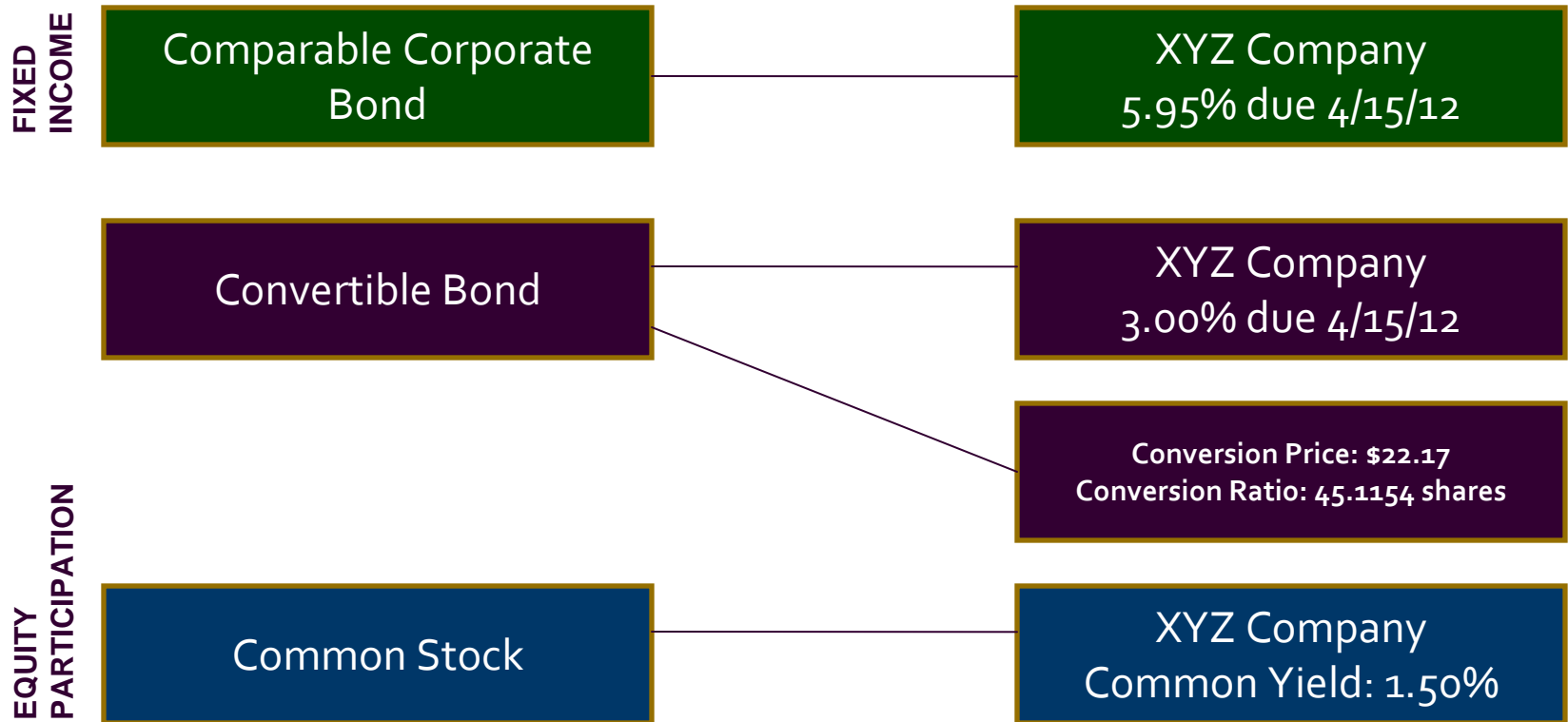
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# Appendix



- Convertible Securities
- Buy/write Programs
- Managed Futures
- Commodity Index
- Hedge Funds

# Convertible Securities



A convertible **combines** the potential cash flow of a bond and the capital appreciation potential of common stock in **one investment**.

Convertible securities: The latest Instruments, Portfolio Strategies, and Valuation Analysis-John Calamos

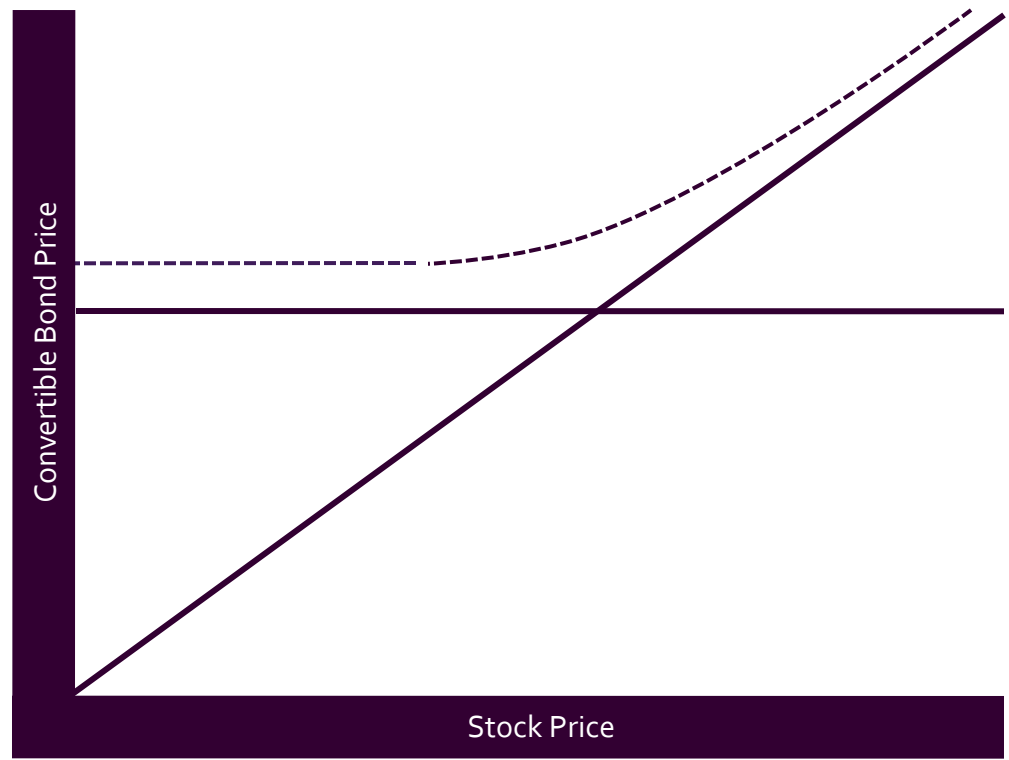


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# Convertible Securities



Relationship of Bond, Stock and Convertible Value



The above example is for illustrative purposes only and does not represent the past or future performance of any security or strategy.

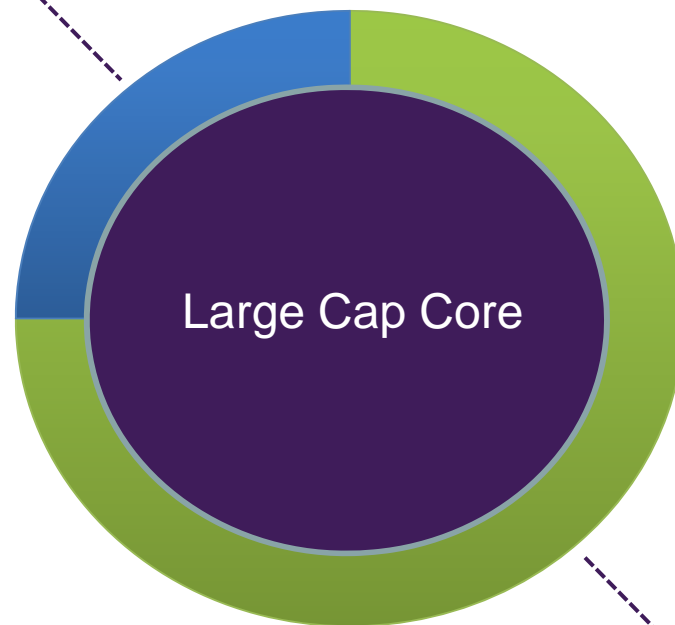


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# Buy/write program



Protective Puts 0 – 25%



Written Calls 25 – 75%

Schematic Illustration. Allocations may be significantly different than those shown here.

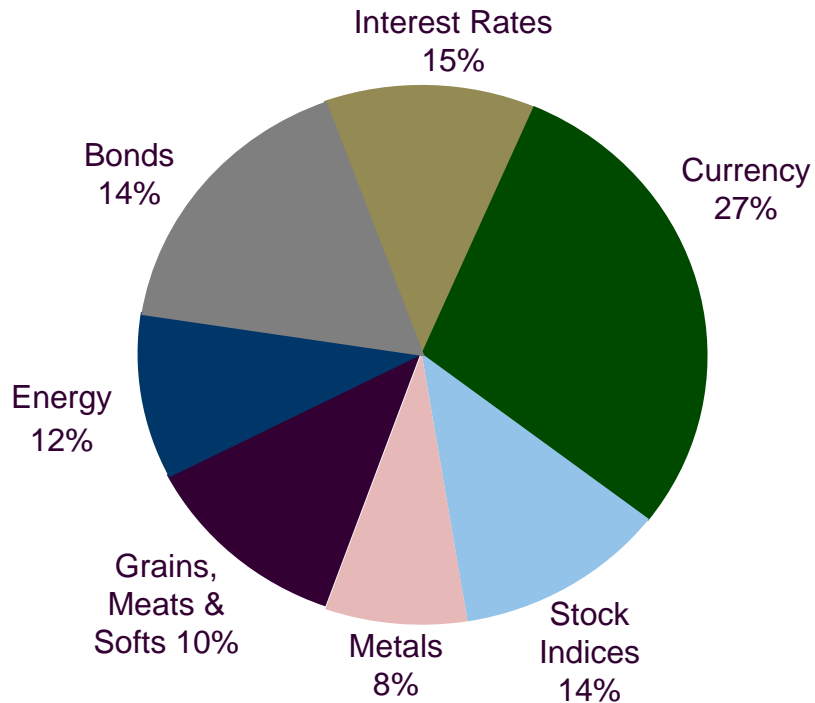


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# Managed Futures



Futures markets included by not limited to:



| Interest Rates & Bonds        | Currency           | Stock Indices        | Metals    | Energy      | Grains, Meats & Softs |
|-------------------------------|--------------------|----------------------|-----------|-------------|-----------------------|
| US T-Bond, 30-year            | Japanese Yen       | Amsterdam Index      | Aluminum  | Brent Crude | Coffee                |
| US T-Note, 10-year            | Euro               | CAC40 10 Euro        | Copper    | Crude Oil   | Barley                |
| US Agency, 10-year            | British Pound      | DAX German Index DTB | Gold      | Gas Oil     | Canola                |
| US 5-year                     | Swiss Franc        | FTSE 100 Index       | Lead      | Heating Oil | Feeder Cattle         |
| US 2-year                     | Australian Dollar  | Nasdaq Stock Index   | Nickel    | Kerosene    | Cocoa                 |
| Eurodollar, 3-month           | Singapore Dollar   | Nasdaq Stock Index   | Tin       | Natural Gas | Corn                  |
| Bund                          | New Zealand Dollar | Nikkei 225 Osaka     | Palladium |             | Cotton                |
| Bobl                          | Norwegian Kroner   | S&P 500 Stock Index  | Silver    |             | Orange Juice          |
| Euro 2-year                   | Czech Krona        | Eurostoxx Index      |           |             | Lean Hogs             |
| Euro Euribor, 3-month LIFFE   | Mexican Peso       | MSCI Taiwan Index    |           |             | Lumber                |
| Euro Swiss                    | Polish Zloty       | Russell 2000 Mini    |           |             | Maize                 |
| Long Gilts (LIFFE)            | South African Rand |                      |           |             | Milk                  |
| Short Sterling, 3-month LIFFE | Thai Baht          |                      |           |             | Rubber                |
| JPN Got Bond, 10-year         | AUD/JPN Cross      |                      |           |             | Soybeans              |
| Euro-yen, 3-month TIFFE       | EUR/JPY Cross      |                      |           |             | Sugar                 |
| AUS 10-year Bond (SFE)        | GBP/JPY Cross      |                      |           |             | Wheat                 |
| AUS 3-year Bond (SFE)         | EUR/AUD Cross      |                      |           |             |                       |
| AUS Bank Bills, 90 day (SFE)  | EUR/CAD Cross      |                      |           |             |                       |
| CAN Bankers Acceptance        | AUD/CHF Cross      |                      |           |             |                       |
| CAN Got Bond, 10-year MO      | EUR/GBP Cross      |                      |           |             |                       |

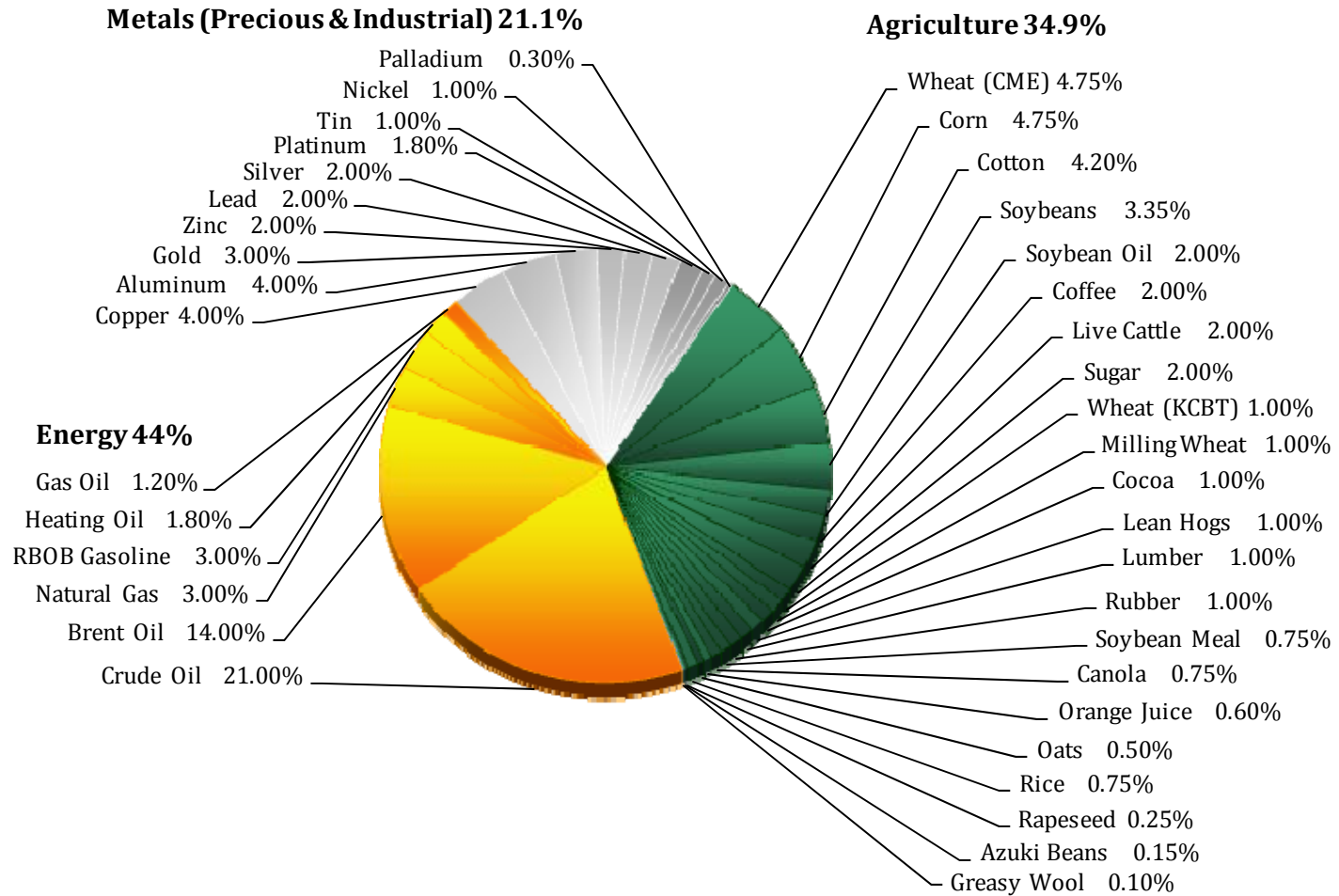


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# Commodity Index



## Rogers International Commodity Index®



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**\*As of January 2011**

# Hedge Funds- a long/short strategy

buying the companies you like and selling short the companies you don't like



## Example of buying Ford and shorting GM:

| When stocks go up        |                     |
|--------------------------|---------------------|
| Ford                     | GM                  |
| Bought at \$100          | Sold short at \$100 |
| Stock market goes up 10% |                     |
| Now \$110                | Now \$108           |
| \$10 profit              | \$8 loss            |
| <b>Net \$2.00 gain</b>   |                     |

| When stocks go down        |                     |
|----------------------------|---------------------|
| Ford                       | GM                  |
| Bought at \$100            | Sold short at \$100 |
| Stock market goes down 10% |                     |
| Now \$90                   | Now \$88            |
| \$10 loss                  | \$12 gain           |
| <b>Net \$2.00 gain</b>     |                     |



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# Definitions



**CASAM CISDM CTA Asset Weighted Index (CASAM CTA Index):** the CASAM CTA Asset Weighted Index reflects the dollar-weighted performance of Commodity Trading Advisors (CTAs) reporting to the CISDM Hedge Fund/CTA Database. CTAs trade a wide variety of OTC and exchange traded forward, futures and options markets (e.g., physicals, currency, financial) based on a wide variety of trading models. In order to be included in the asset weighted index universe, a CTA must have at least \$500,000 under management and at least a 12-month track record. The index's historical data begins on January 1980.

**EIM Strategy (EIM Consistent Return Strategy):** the EIM Consistent Return Strategy is an investment strategy created by Equilibrium Investment Management that seeks to generate consistent returns uncorrelated to traditional markets.

**JP Morgan US Aggregate Bond Index:** the JP Morgan US Aggregate Bond Index is comprised of U.S. traded investment grade bonds. The Index includes treasury securities, government agency bonds, mortgage backed bonds, and corporate bonds. The index is market capitalization weighted.

**NASDAQ Composite Index (NASDAQ):** the NASDAQ Composite Index is a broad-based capitalization-weighted index of all NASDAQ stocks. The index was developed with a base level of 100 as of February 5, 1971.

**Rogers International Commodity Index® (RICI®):** the RICI® is comprised of 37 commodities representing the energy, metals, and agriculture sectors. The components of the RICI® have been specifically chosen to give a balanced representation of consumption patterns throughout the world. It was developed by Jim Rogers to be a passive, international, diversified, investable raw materials index. The RICI® is a calculated Index and thus does not include any fund expenses that would exist with an investment vehicle designed to track the Index. The RICI® was officially released on August 1, 1998.

**S&P 500 Index:** the S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Data is provided by Barclay Trading Group, Ltd. and Bloomberg. Although we believe the sources to be reliable, Uhlmann Price Securities, LLC does not take responsibility for the accuracy of the data.



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