



PRICE Asset Management

Alternative Investments Group



MANAGED FUTURES

Portfolio Diversification Opportunities

Table of Contents

Benefits of Managed Futures	Page 1
Introduction to the Firm	Page 6
Managed Futures Specialists	Page 7
Portfolio Construction Process	Page 8

This brochure is neither an offering document nor a solicitation. Investing in managed futures is speculative, involves a high degree of risk, and is not suitable for all investors.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.



Introduction

The term managed futures describes an industry made up of professional money managers that manage assets on behalf of their clients. Using the global futures markets, they implement their systems to take positions based on expected profit potential.

Managed futures investments have been used by individual investors for more than 25 years. More recently, institutional investors such as pension funds, banks, endowments, trusts and family offices have incorporated managed futures as one segment of a well-diversified portfolio.

As a \$225 billion asset class, managed futures are increasingly being recognized as an important investment alternative that may potentially enhance the returns and lower the overall volatility of a diversified investment portfolio.

The Value of Diversification

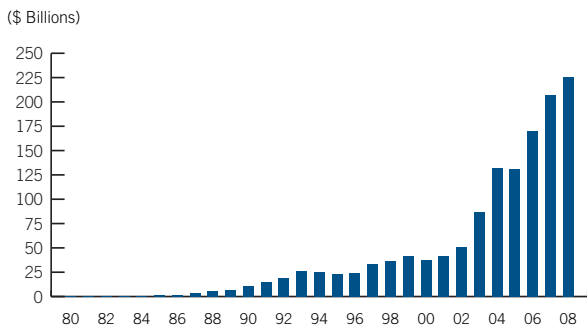
Today, a variety of academic research and evidence demonstrates the potential benefit of incorporating managed futures to create better balance to a stock and bond portfolio.

Although futures investments involve substantial risk and are not suitable for everyone, the general conclusion is that diversification of non-correlated asset classes, such as the introduction of managed futures to an investment portfolio, can both reduce portfolio risk and enhance overall portfolio performance.

Modern Portfolio Theory, introduced by Nobel Prize-Winning economist Harry Markowitz with his paper "Portfolio Selection" in the 1952 Journal of Finance, showed how to measure the risk of various securities and how to combine them in a portfolio to get the maximum return for a given risk.

Managed Futures - Portfolio Diversification Opportunities

Growth of Managed Futures* (January, 1980 - September, 2008)



The concept of Modern Portfolio Theory was further advanced by the work of Harvard professor Dr. John Lintner in his 1983 study, "The Potential Role of Managed Commodity-Financial Futures Accounts in Portfolios of Stocks and Bonds".

His conclusions stated, "...The combined portfolios of stocks (or stocks and bonds) after including judicious investments in appropriately selected sub-portfolios of investments in managed futures accounts...show substantially less risk at every possible level of expected return than portfolios of stocks (or stocks and bonds) alone".

*Source: BarclayHedge, LTD



The Concept of Non-Correlation

Non-Correlation

Although trading in futures may be highly volatile and risky, adding managed futures as a component to a diversified investment portfolio may actually decrease volatility and increase returns in a portfolio as a whole.

The table to the right compares the correlations between managed futures, domestic bonds and domestic stocks.

Correlation Analysis

(January, 1980 Through December, 2008)

	Managed Futures	U.S. Stocks	U.S. Bonds
Managed Futures	1.00	-0.10	0.11
U.S. Stocks		1.00	0.22
U.S. Bonds			1.00

Market Direction

Another way to evaluate the relationship between managed futures and stocks is to consider the frequency with which they move, or do not move, in the same direction. Over the period from January, 1980 through December, 2008:

- In nearly 50% of those months managed futures moved in an opposite direction from stocks.
- In 35% of those months both managed futures and stocks posted positive returns.
- In only 17% of those months did both managed futures and stocks move lower.

Direction of Monthly Returns

(January, 1980 Through December, 2008)

59 Months = 17% Both Down
167 Months = 48% Opposite Directions



122 Months = 35% Both Up

Data: Managed Futures - CASAM CISDM CTA Equal Weighted Index; U.S. Stocks - S&P 500 Index; U.S. Bonds - Barclays Aggregate Bond Index.

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The Value Of Diversification

The Ability to Profit in Virtually Any Economic Environment

In addition to improving overall portfolio returns, managed futures have the ability to perform well in a variety of economic climates, including inflation and periods of down stock markets.

One reason for this is that managed futures trading advisors have the ability to take advantage of price trends in either direction. For example, during periods of inflation, commodities such as gold, silver, oil, and grains tend to do well.

Access to Global Markets

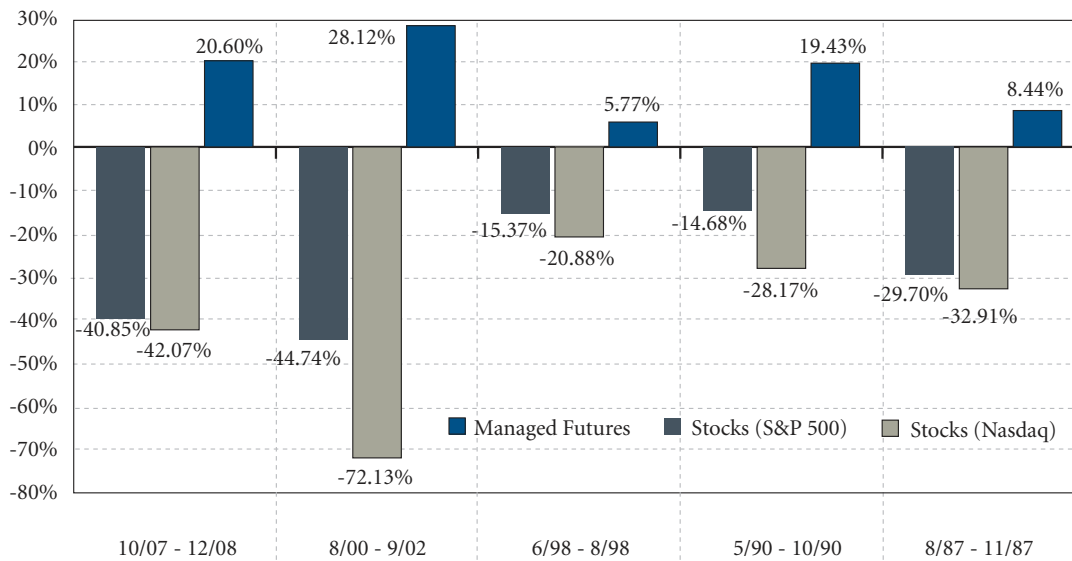
The establishment of global futures exchanges allow managed futures trading advisors to diversify their trading systems by participating in over 50 different markets worldwide. These include currencies, stock indices, financials, agricultural products, precious metals, and energy products.

Thus, managed futures trading advisors have a variety of opportunities for profit potential and risk reduction through an array of non-correlated markets.

Managed Futures vs. Stocks During Stock Market Drawdowns

(January, 1980 Through December, 2008)

The following chart shows the comparison between the performance of managed futures and stocks during the five worst declines in U.S. Stocks. This chart demonstrates the historical non-correlation between these two asset classes for the stated period of time.



Data: Managed Futures - CASAM CISDM CTA Equal Weighted Index; U.S. Stocks - S&P 500 & Nasdaq Indices.

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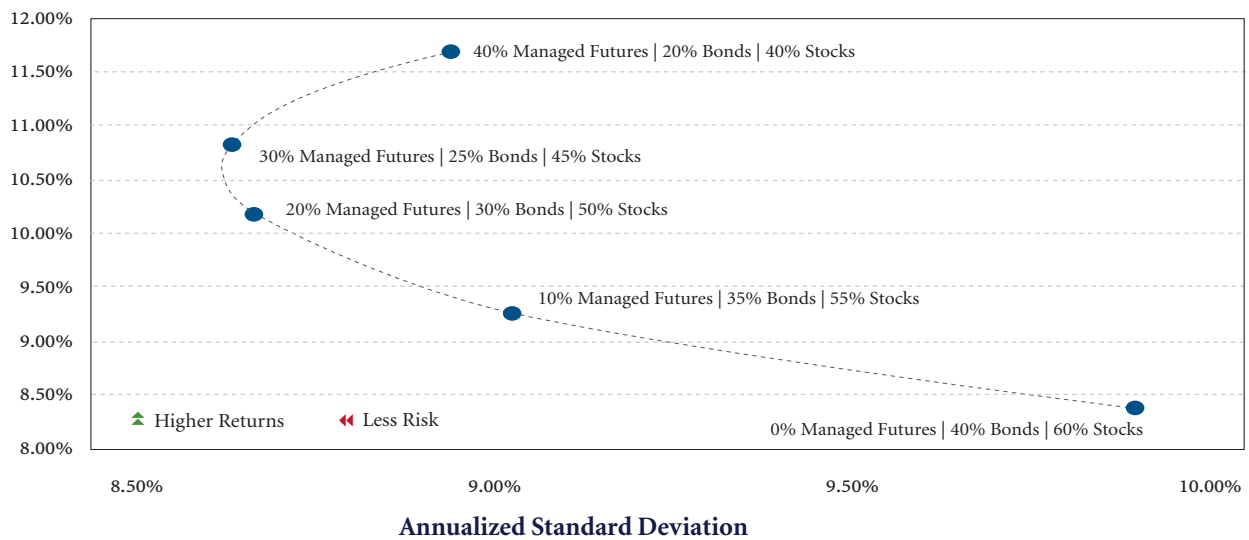


Balanced Performance

The Effect of Diversifying a Traditional Portfolio into Managed Futures

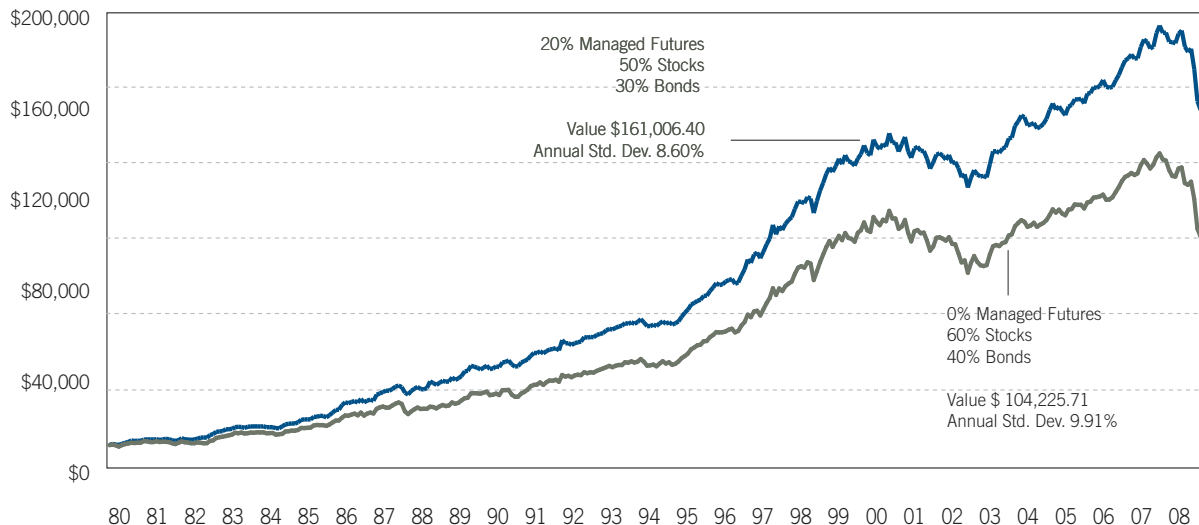
(January, 1980 Through December, 2008)

Compounded Annual Returns



Value of Initial \$10,000 Portfolio with a 20% Allocation to Managed Futures vs. a Traditional Stock and Bond Portfolio

(January, 1980 Through December, 2008)



Data: Managed Futures - CASAM CISDM CTA Equal Weighted Index; U.S. Stocks - S&P 500 Index; U.S. Bonds - Barclays Aggregate Bond Index.

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Structure

Structure of Managed Futures

There are several types of industry participants in the managed futures sector.

- Commodity Trading Advisors (CTAs) are responsible for the actual trading decisions and activity of a managed futures account.
- Commodity Pool Operators (CPOs) assemble public funds or private pools, usually in the form of limited partnerships, and select the trading advisors.
- Futures Commission Merchants (FCMs) are the brokerage firms that execute and clear CTA-directed trades on various exchanges.

Managed futures advisors and investors benefit from the structural efficiencies of the futures markets. Liquid markets facilitate entering and exiting market positions. Other key efficiencies include:

- Use of leverage
- Minimized transaction costs
- Liquidity/rapid execution
- Opportunity in rising, falling, or trendless markets
- Value capture in the market.

Evaluating a CTA

Investors should be aware of the risks associated with investing in managed futures. When evaluating a CTA, a complete review of the disclosure document as well as an on-site visit are necessary. The review process should be both qualitative and quantitative in nature and the key aspects to evaluate include:

- CTA trading style
- Trading history
- Performance
- Measure of risk-adjusted returns
- Comprehensive due diligence questionnaire
- Fee structures.

There are two primary types of trading styles. Many traders will incorporate aspects of both.

- Technical traders: rely on designed systems and computer signals to guide in and out of trades.
- Fundamental traders: rely on economics, politics, and the principles of supply and demand.



Price Group Introduction

The Price Group of Companies

The Price Group of companies is a consortium of affiliates and divisions including Price Asset Management, Inc., and The Price Futures Group. These divisions combine approximately \$500 million and 3,500 customer accounts. The Price Futures Group is a registered Independent Introducing Broker utilizing the clearing and execution services of MF Global, a world leading provider of brokerage services in futures and options for both institutional and private clients. The Price Group has branch offices in Arizona, California, Florida, Georgia, Nebraska, and Texas along with Introducing Broker relationships and affiliates in the U.S., Europe and Asia.

Price Asset Management, Inc.

Price Asset Management, Inc. (PAM) is a specialty boutique designed to structure and arrange alternative investment products for investment by institutions and qualified investors. PAM is an Illinois corporation wholly owned by Walter Thomas Price, III, registered with the CFTC as a commodity pool operator and a commodity trading advisor and is a member of the NFA. Currently, PAM is a managing member to various alternative investment products structured as private offerings for investors to gain exposure to managed futures or the commodities asset class. The products range from a long-only commodity index to multi-manager strategies which are traded by professional commodity trading advisors.

PAM's objective is to uncover sound opportunities for portfolio diversification. The firm utilizes extensive industry contacts, referrals and databases together with professional judgment to identify outstanding commodity trading advisors and investable indices. Using stringent criteria, PAM evaluates the CTA's principals, operations, business strategy or index methodology including:

- Qualitative appraisal of strategies and performance,
- Quantitative analysis utilizing statistical evaluation of performance.

The advisors and fund programs presented by PAM represent some of the most profitable and recognized names in the managed futures segment. PAM maintains a substantial database of commodity trading advisor, hedge fund and index programs for use in evaluating and building portfolios.



Structuring a Custom Managed Futures Portfolio Allocation

There are several areas of specialized services which Price Asset Management offers to assist investment management firms, investment advisors and financial planners in their expansion into the managed futures sector. They include:

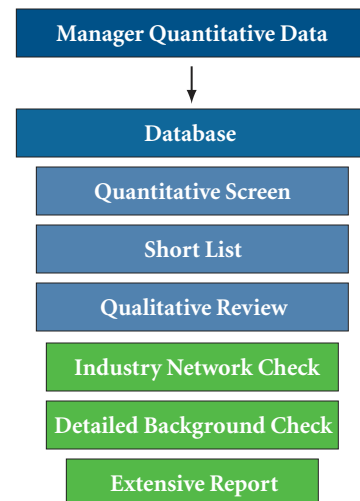
Research

Investing in managed futures requires a multi-faceted approach. It is not easy to identify the best Managers. This is made more difficult because many of the best Managers do not publish their results, and some are only available to accredited and super-accredited investors.

Price Asset Management: Managed Futures Specialists

- In-depth review of client investment philosophy, including portfolio risk/reward objectives and time frame for performance
- Analysis of portfolio parameters such as strategy, styles and market sectors
- Qualitative and quantitative research analysis
- Manager evaluations including peer group and correlation analysis
- Manager selections including portfolio weighting and historical back-testing
- Portfolio monitoring including daily risk analysis, position analysis and parameter checks.

By utilizing in-house research, and through our strategic affiliations with CTA Research firms Daniel B. Stark & Company and AutumnGold, PAM tracks and provides analysis on an extensive database of alternative investments. We combine this with our access to an extensive network of hedge fund and managed futures databases, industry referrals, and direct contacts. This allows us to screen the universe of managed futures in search of high-quality candidates for further analysis.





Portfolio Construction Process

Our proprietary research utilizes the most innovative analytical software used to rank and evaluate money managers. We are able to generate performance rankings, analyze rates of return, create custom correlations, and conduct drawdown analysis of the Managers. Evaluating CTAs can be significantly more difficult than evaluating traditional Managers. In addition to the numbers generated by our research, we emphasize qualitative analysis that includes a Manager's background and a comparative analysis of how he does in his peer group.

Also, our qualitative analysis includes an understanding of the engine that drives returns. Without an understanding of the engine that drives the returns, (we do not need the proprietary algorithms) it would be impossible for us to understand the CTA's behavior in possible future market cycles.

Portfolio Construction

After evaluation, we are ready to provide a consulting package customized to complement and enhance each client's specific investment parameters and objectives. We provide objective and comprehensive recommendations in the areas of trader selection, investment timing, and risk management to pool operators, institutional clients, and investors. Technical analysis that is done on a trader's performance has a particular focus on identifying optimum entry points for new investments, as well as revealing key leveraging and deleveraging opportunities for current investments. Proprietary indices developed by our affiliates help in monitoring trader performance and pinpointing key investment opportunities.

With our combined extensive experience, background, and reputation, we bring together a sophisticated combination of quantitative analysis interpretation with qualitative judgment to provide investors with optimal risk/reward investment possibilities.

Portfolio Monitoring

For qualified accounts, our services include an integrated on-line monitoring system.

This system allows us to provide clients with up-to-the-minute investment portfolio summaries and analysis. This state of the art system also provides detailed on-line information on each trader's market position size, stop orders, margin levels and marked to the market equity balances. All trades may be tracked through this platform allowing for seamless integration of portfolio monitoring initiatives.



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MANAGED FUTURES Portfolio Diversification Opportunities

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