



GUIDANCE CAPITAL LLC



HEDGE FUND PRODUCTS FOR ALL TERRAINS

PREPARING FOR THE NEW NORMAL

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SECTION ONE

Investment Implications

NEW NORMAL FEATURES:

- Slow Growth in Developed Countries
- Politics Matter
- Emerging Economies Bifurcate
- Developing Nations Commodity Consumption
- Short Term Deflation, Long Term Inflation
- U.S. Dollar Risk
- Banking and Finance to Shrink

INVESTMENT IMPLICATIONS:

- Favor the Front End of Yield Curves
- Emphasize Income Producing Instruments
- Focus on Global Securities
- Hedge Against a Weaker U.S. Dollar
- Developing Countries Driving Inflation

ONE DISCONNECT:

Emphasize
Income
Producing
Instruments



Long Term
Inflation

PREPARING A PORTFOLIO FOR INFLATION:

- Add Real Assets
 - Real Estate
 - Infrastructure
 - Farm & Forest Land
 - Commodities
- Shift from Bonds to TIPS

INVESTMENT LESSONS FROM 2008:

- Liquidity Matters
- Timing the Market is Difficult

PREPARING A PORTFOLIO FOR INFLATION:

- | | <u>Liquidity</u> |
|-----------------------|------------------|
| ● Add Real Assets | |
| – Real Estate | X |
| – Infrastructure | X |
| – Farm & Forest Land | X |
| – Commodities | √ |
| ● Shift Bonds to TIPS | √ |

OTHER INFLATION CONSIDERATIONS:

- Developing nations with massive GDPs are becoming significant consumers
- Foreign (emerging market) economic expansion may drive US inflation via large commodity consumption
- TIPS have political risk and index risk in how “inflation” is calculated



SECTION TWO

Commodity Investing

LONG TERM SPOT COMMODITY PRICES

Reuters/Jefferies-CRB[®] Index (1967=100)
 (monthly close) September 1956 - August 2009

Index Value



The Continuous Commodity Index (CCI) is a broad grouping of 17 different commodity futures, which is a benchmark of performance for commodities as an investment.

Source: Thomson Reuters

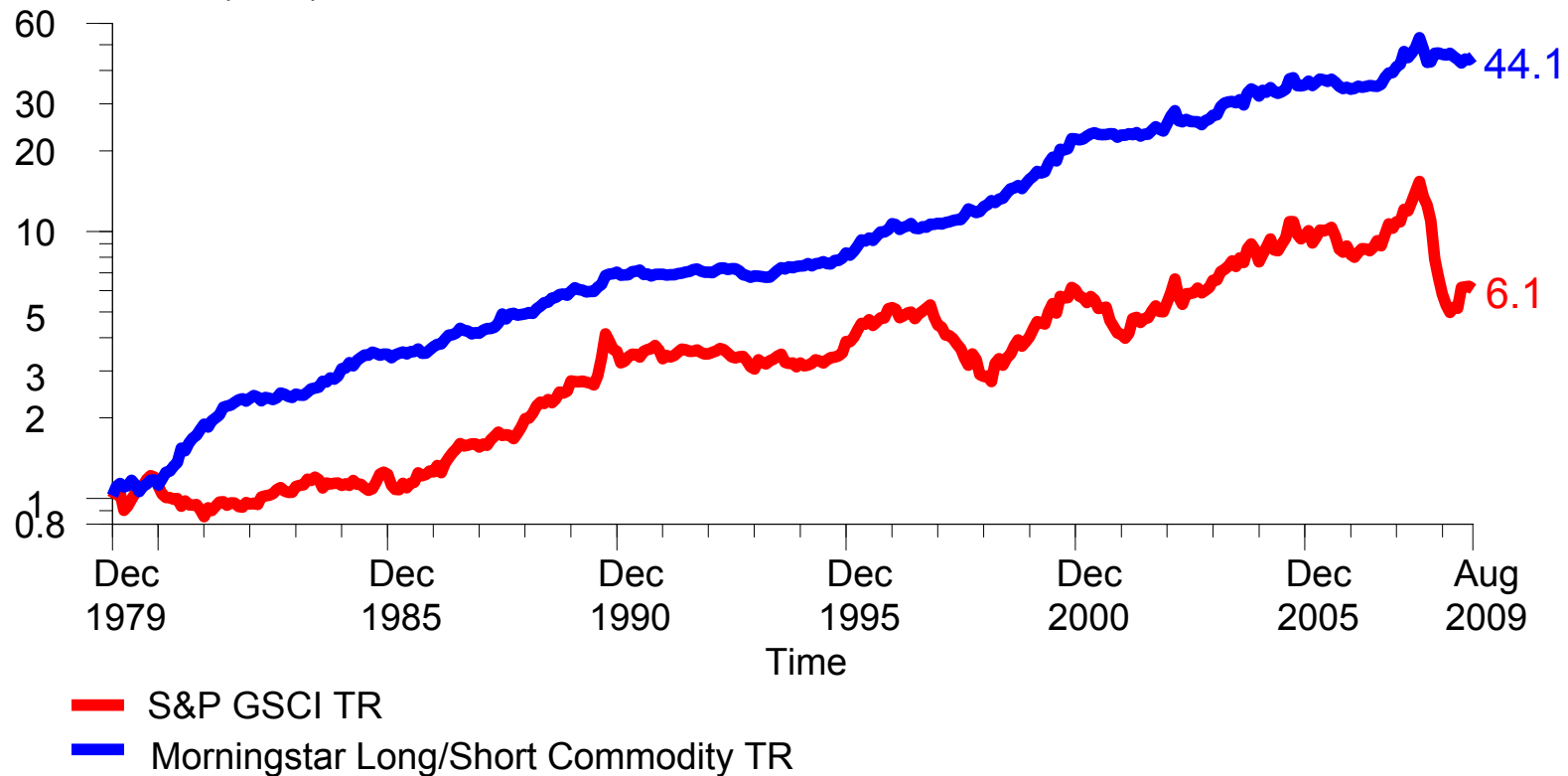
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COMMODITY FUTURES MARKETS

- Physical Commodities
 - Over 60 world-wide markets
 - Traded on 12 exchanges
 - 300 global futures contracts
 - Sectors: energy, metals, softs, grains and meats
- Exchange cleared futures
 - Excellent Liquidity
 - No Counterparty Risk

ADDRESSING THE TIMING ISSUE: LONG ONLY VS. LONG-SHORT

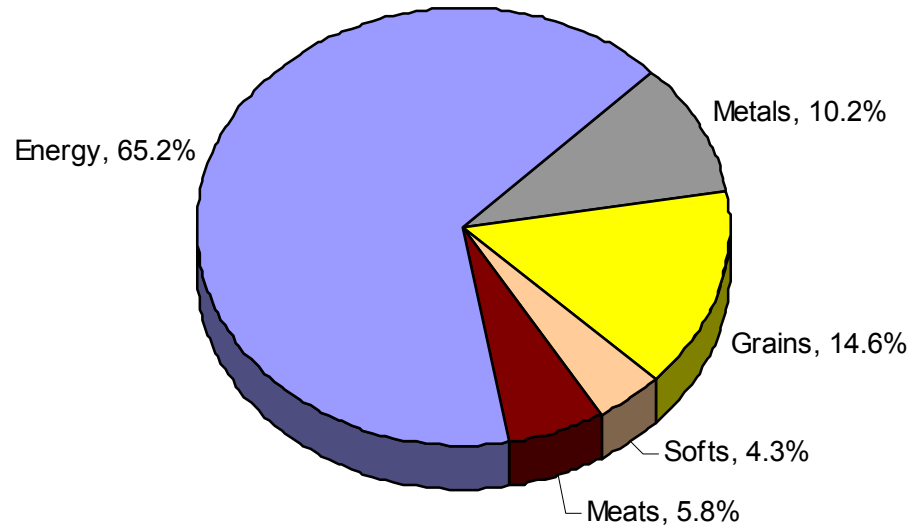
Index Values (USD)



The S&P GSCI TR and the Morningstar Long/Short Commodity TR Indices are recognized benchmarks for the commodities industry and are not available for investment.

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GOLDMAN SACHS COMMODITY INDEX*



Energy

- crude oil
- brent crude
- unleaded gasoline
- heating oil
- gas oil
- natural gas

Metals

- aluminum
- copper
- lead
- nickel
- zinc
- gold
- silver

Grains

- wheat
- KS wheat
- corn
- soybeans

Softs

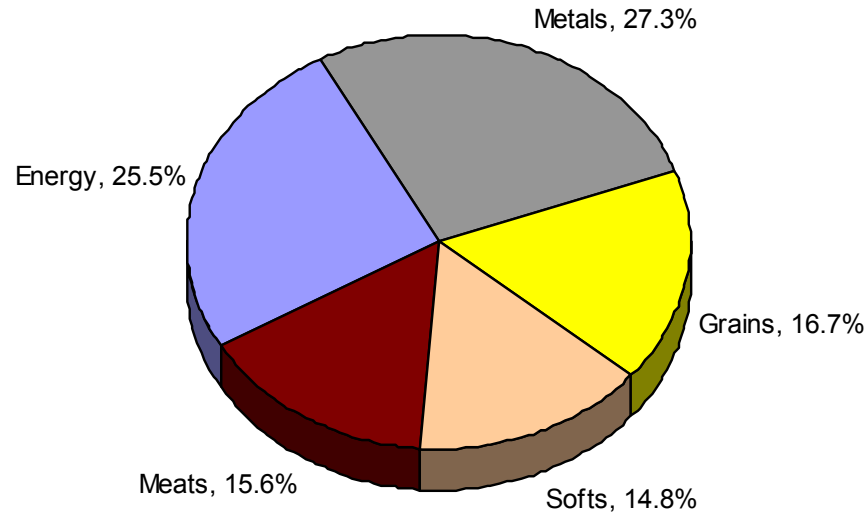
- cocoa
- coffee
- cotton
- sugar

Meats

- feeder cattle
- live cattle
- lean hogs

* The S&P GSCI TR Index is a recognized benchmark for the commodities industry and it is not available for investment.

ACTIVE FUNDS TAP MORE OPPORTUNITIES



Energy
 crude oil
 brent crude
 heating oil
 London gas oil
 unleaded gas
 natural gas
kerosene
blend gasoline

Metals
 aluminum
 silver
 gold
 lead
 copper
 nickel
 zinc
palladium
tin
HG copper
NASAC
platinum

Grains
 wheat
 KS wheat
 corn
 soybeans
soymeal
soybean oil
canola
oats
rough rice
milling wheat
EU wheat
spring wheat
sunflower seeds
azuki beans
non-gmo soybeans
barley
freed wheat

Softs
 cotton
 sugar
 cocoa
 coffee
London coffee
London sugar
London cocoa
orange juice
milk
lumber
rapeseed
rubber
palm oil

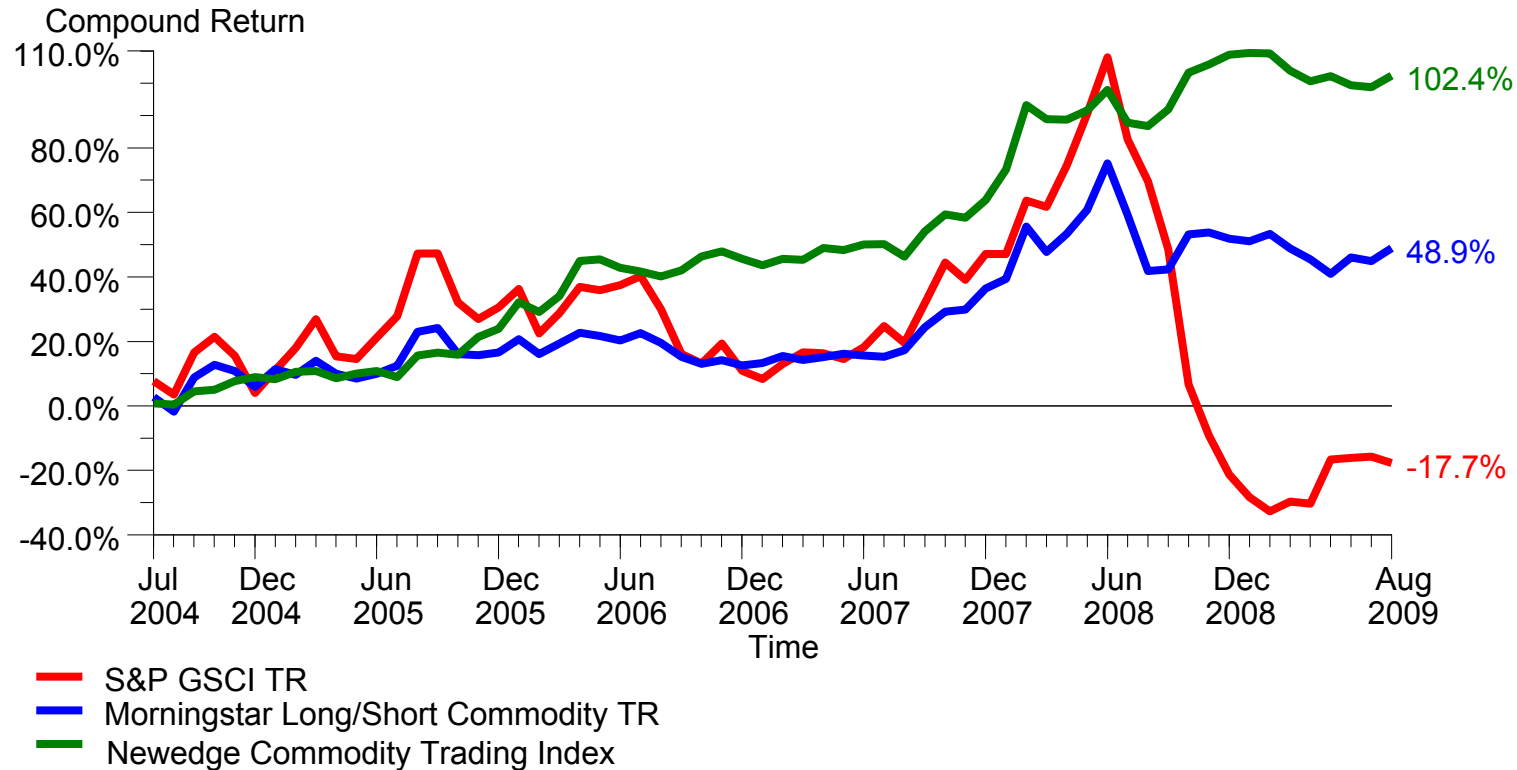
Meats
 lean hogs
 feeder cattle
 live cattle
pork bellies
milk class III

WAYS TO INVEST IN COMMODITIES

- **Passive Index:** Long only allocation to an unmanaged basket of commodity futures, generally driven by energy. Ex: GSCI.
- **Systematic Moving Average:** Long-short strategy based on price momentum and trends. Ex: Structured note on Morningstar Index.
- **Active L/S Commodity Managers:** Employ specialized knowledge, research and analysis systems to extract value from niche markets. Ex: collection of sector and strategy specialists funds.

STABILITY ACROSS MARKETS

7/1/04 – 8/31/09 *



The S&P GSCI TR, the Morningstar Long/Short Commodity TR and Newedge Commodity Trading Index are each recognized benchmarks for the commodities industry and are not available for investment.

KEY PORTFOLIO CONSIDERATIONS:

- Inflation is coming
- Liquidity matters
- Timing a long-only investment is difficult
- Prepare for inflation while preserving liquidity

**Active L/S Commodities
address all four considerations
and may be the best way to protect
your portfolio from looming inflation.**

FIRM OVERVIEW AND PRINCIPALS

Guidance Capital is dedicated exclusively to hedge fund research and management of multi-manager fund-of-hedge fund portfolios. Clients interested in investing with Guidance can either invest directly in a specific strategy fund or through allocation funds that in turn invest in specific strategy funds. Guidance distinguishes its products in three ways: (i) by emphasizing specialist managers, (ii) by providing modularity for institutional investors, and (iii) by performing excellent manager research. We gather assets through banks, trust companies and other financial institutions that need alternative investment products for their clients. Guidance is a SEC registered investment advisor and a NFA registered Commodity Trading Adviser and Commodity Pool Operator.

Firm Principals

Brian C. Ziv, CFA, Founding Principal, was Chief Investment Officer of Graystone Wealth Management, a subsidiary of Morgan Stanley that advised \$8 billion in traditional and alternative assets. Earlier he ran a value equity manager in Chicago and was an equity analyst at Kidder Peabody in NY. (28 yrs. experience, Princeton)

D. Trowbridge Elliman, III, CIMA®, Founding Principal was Sr. VP with Morgan Stanley where he helped develop and market alternative products, including Market Street Managed Futures LP and Oxford Advisors Ltd. Earlier he headed non-ferrous metals trading at Drexel Burnham in NY. (28 yrs. experience, Hampshire)

Christopher Walvoord, Principal, was Director of Alternative Investments at Northern Trust where he ran four funds of funds with over \$400 million. Earlier he was a portfolio manager running over \$10 billion in structured short-duration credit portfolios. (14 yrs. experience, U of Illinois, U Cal Berkeley, U of Chicago)

Barry Brick, CPA, Principal, is Chief Operating Officer and Chief Compliance Officer. He served as Director of Product Development within the Fund Services Division of SEI Investments. Earlier he was a business unit controller at Kidder Peabody & Company and an auditor with Price Waterhouse & Co. (23 yrs. experience in the financial services industry, SUNY/Albany, St. Joseph's University)

COMMODITY FUTURES TRADING COMMISSION RISK DISCLOSURE STATEMENT

YOU SHOULD CAREFULLY CONSIDER WHETHER YOUR FINANCIAL CONDITION PERMITS YOU TO PARTICIPATE IN A COMMODITY POOL. IN SO DOING, YOU SHOULD BE AWARE THAT FUTURES AND OPTIONS TRADING CAN QUICKLY LEAD TO LARGE LOSSES AS WELL AS GAINS. SUCH TRADING LOSSES CAN SHARPLY REDUCE THE NET ASSET VALUE OF THE POOL AND CONSEQUENTLY THE VALUE OF YOUR INTEREST IN THE POOL. IN ADDITION, RESTRICTIONS ON REDEMPTIONS MAY AFFECT YOUR ABILITY TO WITHDRAW YOUR PARTICIPATION IN THE POOL. THESE SECURITIES HAVE NOT BEEN REGISTERED WITH OR APPROVED BY THE COMMODITY FUTURES TRADING COMMISSION, OR WITH ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. THIS MATERIAL IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY AN INTEREST IN ANY GUIDANCE FUND. ANY OFFER CAN ONLY BE MADE BY THE DISCLOSURE DOCUMENT OF THE APPLICABLE GUIDANCE FUND AND ONLY IN JURISDICTIONS IN WHICH SUCH AN OFFER IS LAWFUL.

FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, AND ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THE DISCLOSURE DOCUMENT FOR THE GUIDANCE COMMODITY LONG/SHORT FUND CONTAINS A COMPLETE DESCRIPTION OF THE PRINCIPAL RISK FACTORS, EACH EXPENSE TO BE CHARGED TO THIS POOL AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS COMMODITY POOL. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE IN THIS COMMODITY POOL, YOU SHOULD CAREFULLY STUDY THE DISCLOSURE DOCUMENT FOR THIS FUND, INCLUDING A DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT.

YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY POOL MAY TRADE FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION TO THE POOL AND ITS PARTICIPANTS. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE TRANSACTIONS FOR THE POOL MAY BE EFFECTED.