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Innovative ALTERNATIVE STRATEGIES

HOW ADVISORS CAN ACHIEVE PORTFOLIO DIVERSIFICATION AND ALPHA

Liquid Alternatives: Generating Alpha with ETFs, ETNs and Hedge Fund Mutual Funds

MODERATOR

Greg King

Director

Credit-Suisse

PANELISTS

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Guggenheim Investments

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CEO, Founder, Portfolio Manager

Energy Income Partners

Akos Belezany, PhD

Chief Investment Officer of Alternative Investments

Commerce Advisors, LLC

Absolute Returns

Total Return = Yield +/- Capital Appreciation

Capital Appreciation = Growth +/- Change in Valuation

Total Return = Yield
+/- Growth
+/- Change in Valuation

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Yield & Growth Drive our Returns

<u>Asset Class</u>	<u>Yield¹</u>	<u>Dividend Growth²</u> (Last 10 Years)
Energy MLPs	6.4%	6.7%
Former CITs	5.6%	4.4%
Utilities	4.0%	5.7%
REITs	3.5%	-1.0%
S&P 500	2.1%	5.8%

¹Yield is as of 6/30/12.

²10-year growth is per share annual growth in cash distributions or dividends from 03/31/02 to 03/31/12. MLPs are represented by the Alerian MLP Index. Utilities are the components of the UTY Index. Former CITs are the infrastructure related Canadian Income Trusts and their successor companies that EIP has owned at least once in the past and whose yield and historic growth is market cap weighted and include: VSN, NPI, ENF, PPL, IPL-U, WTE-U, BRC-U, KEY, MTL, ALA. Some CITs have not been in existence for the full 10 years. REITs are the Equity REIT component of the National Assn of REITs. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

Source: Bloomberg, FactSet, NAREIT, Alerian Capital Management

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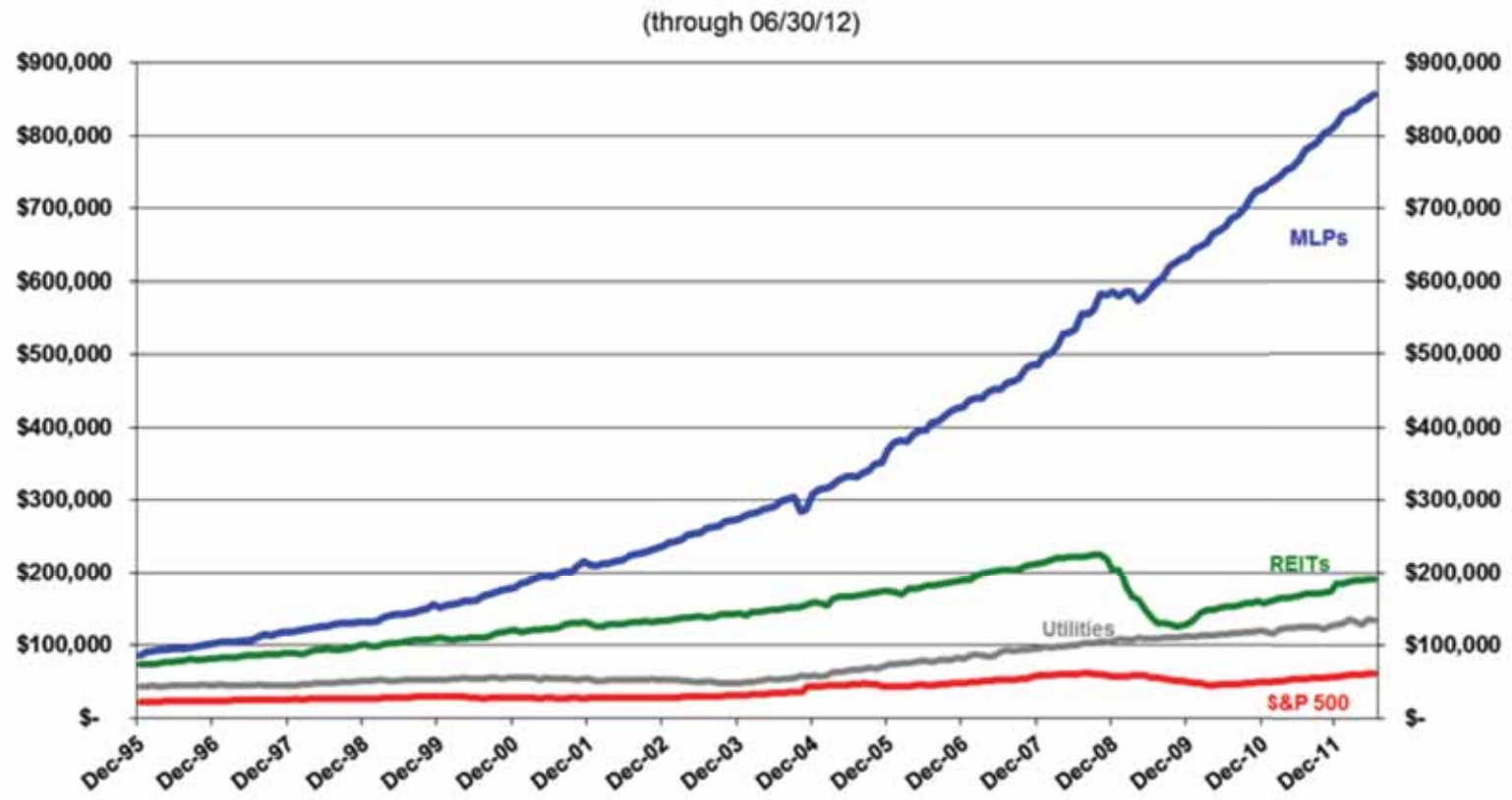


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Growth in Dividends – Since 1995



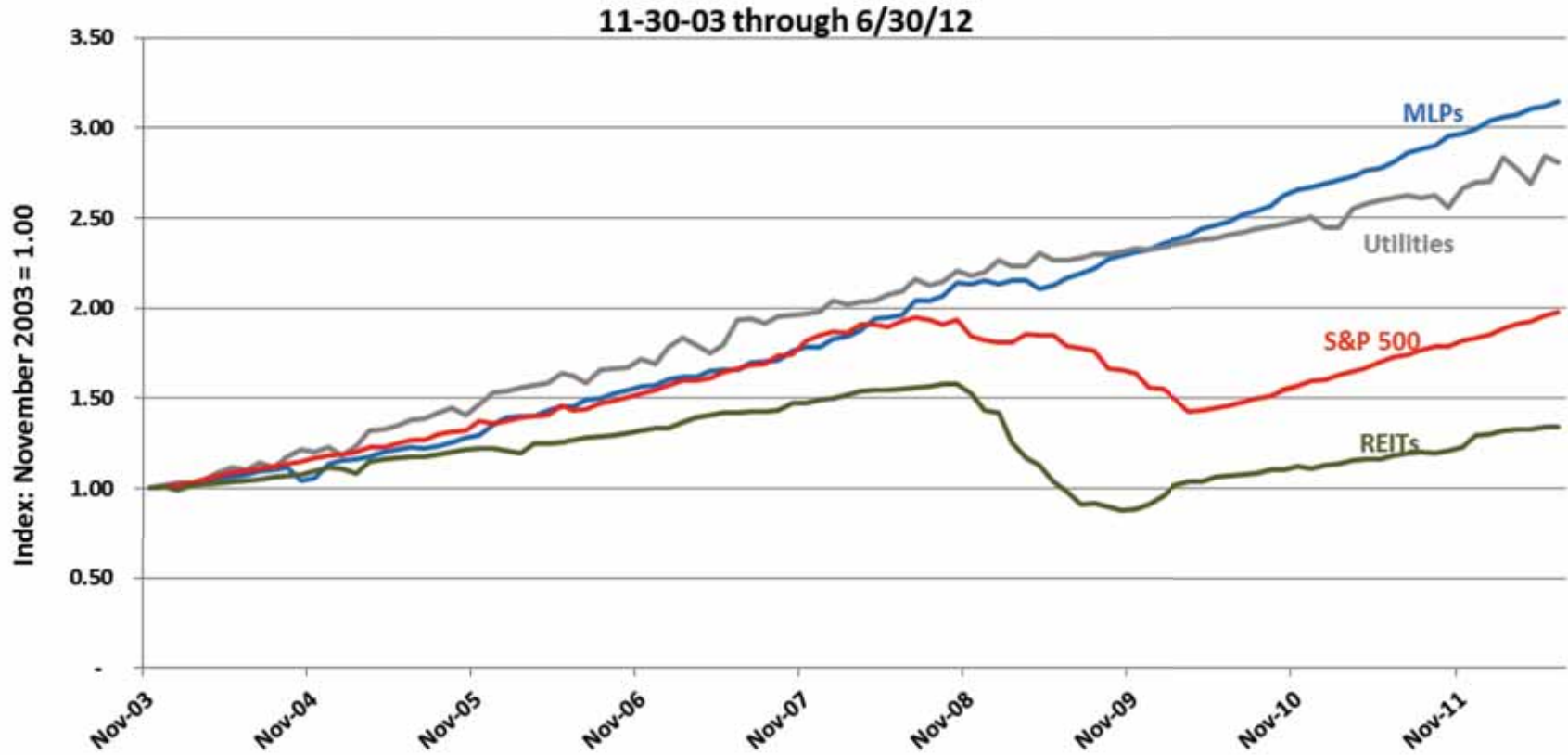
Dividends are reinvested every month at index price. MLPs are based on Alerian MLP Index. Utilities are the Philadelphia Stock Exchange UTY index. REITs are the Equity REIT component of the National Assn of REITs.

Source: Bloomberg, FactSet, NAREIT, Standard & Poor's



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Growth in Dividends – Since 2003



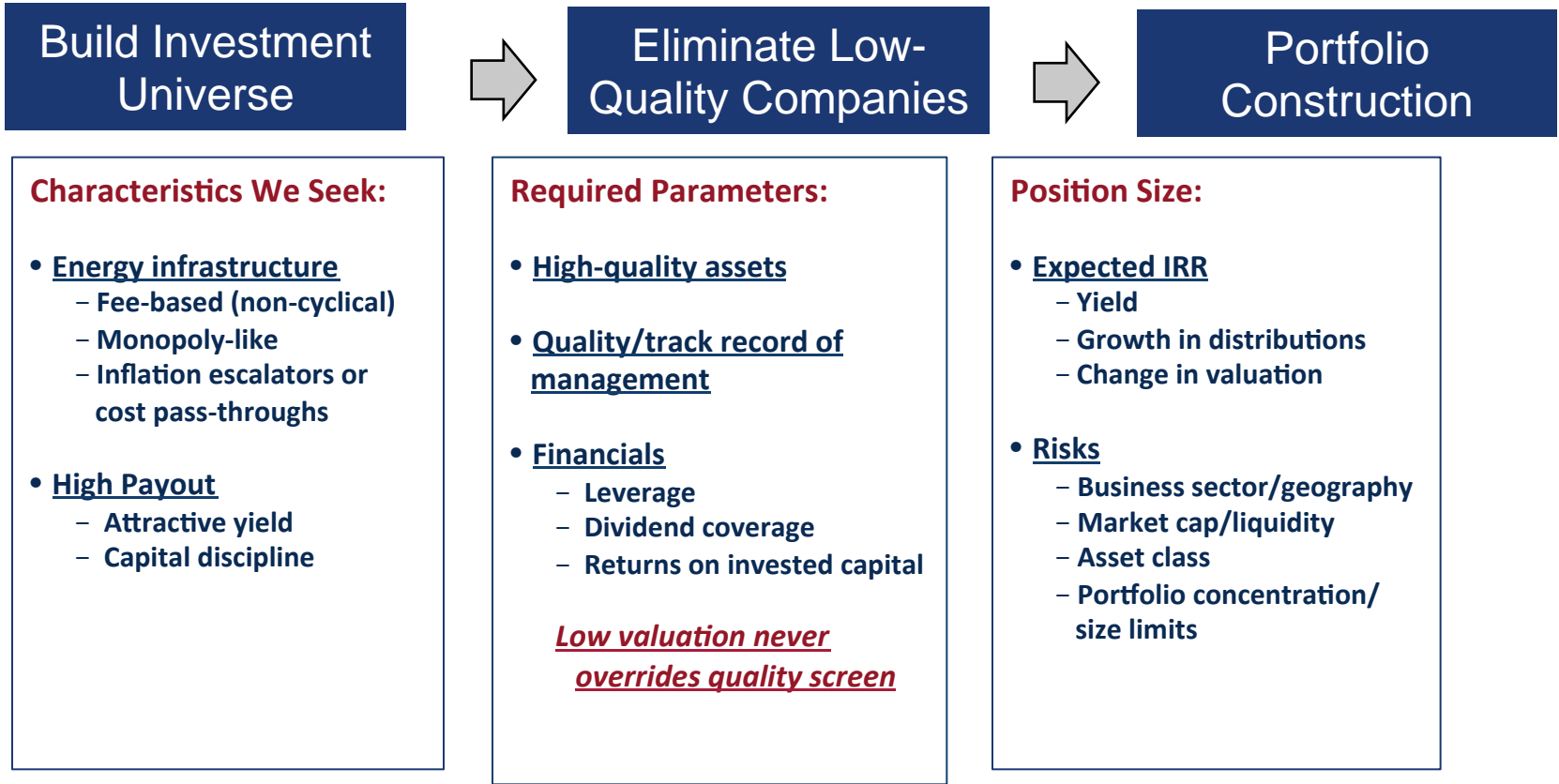
Dividends are reinvested every month at index price. MLPs are based on Alerian MLP Index. Utilities are the Philadelphia Stock Exchange UTY index. REITs are the Equity REIT component of the National Assn of REITs.

Source: Bloomberg, FactSet, NAREIT, Standard & Poor's



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EIP Investment Process



Tools: 65 years of industry knowledge, meetings with management, field trips, earnings models, supply/demand models, industry analysis, all original research done by Energy Income Partners.

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Commerce Asset Management

- Commerce Asset Management (CAM) is an investment management firm focused on providing alternative investment solutions for institutional and individual clients.
- CAM's principals have 30 years of combined experience allocating to and investing in hedge funds.
- CAM offers discretionary management of fund of hedge funds and hedge fund replication strategies as well as non discretionary consulting to customized multi-manager hedge fund portfolios.
- CAM created and is the majority owner of Quantitative Alternative Management (QAM), a firm that researches and designs hedge fund replication strategies.
- CAM is an Investment Adviser registered with the Securities Exchange Commission with offices in New York and Memphis.

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Commerce Asset Management

- Akos Beleznay, PhD – President and Chief Investment Officer
 - Commerce Asset Management (CAM), 2010 to present
 - Quantitative Alternative Management (QAM), 2010 to present
 - Prior hedge fund experience – CIO for the Equitas Evergreen Fund, LP and Director of Consulting Research for Equitas Capital Advisors, LLC
- As part of the hedge fund of funds strategy Akos began to research and run hedge fund replication strategy to manage liquidity during stressed market environment.
- In 2010, Akos joined Commerce in order to bring the replication strategies to a wider investment audience and to continue to manage fund of hedge fund portfolios.
- Precision and Quality is the key to valuate replication strategies:

**High
Quality**



Independent and
Representative Benchmark



Low Tracking Error



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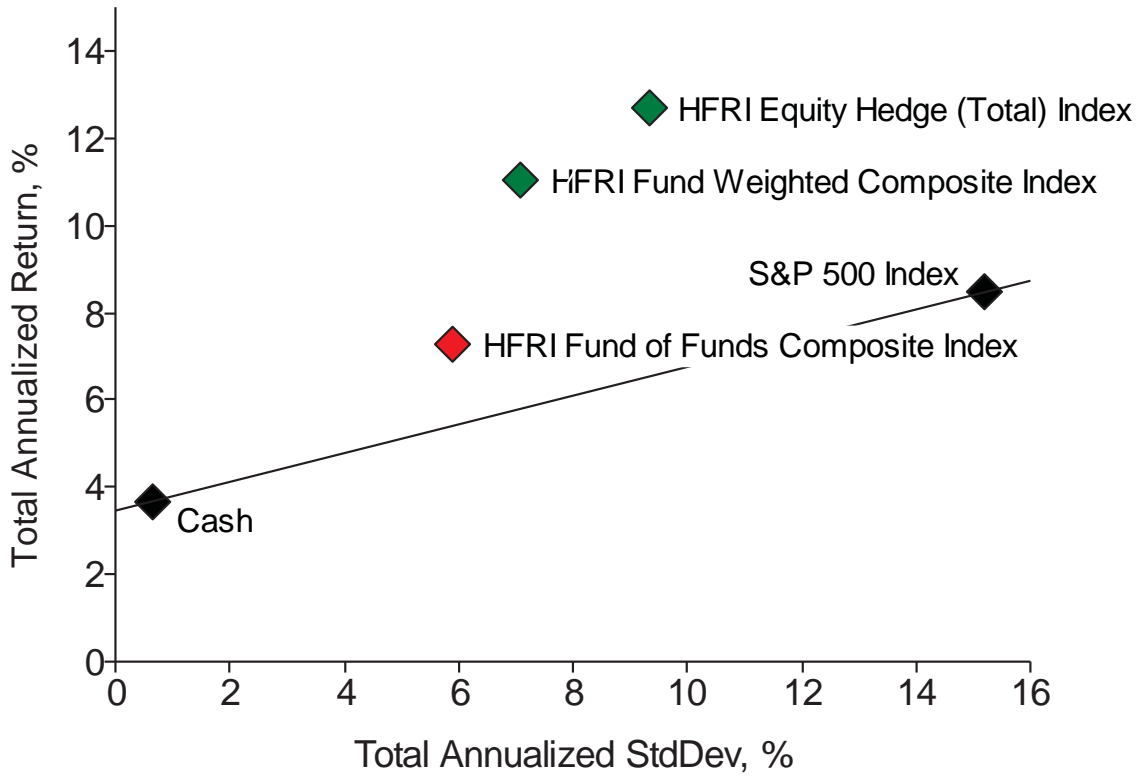
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Hedge Funds - Active versus Passive

- Historically, active manager selection (in the form of hedge fund of funds) has underperformed the direct hedge fund indices.
- Indices, on a **risk adjusted** basis, have consistently provided better performance than 50% of the underlying managers.
- Indices, historically, have provided better returns than most of the fund of funds.
- **Indices are not available for investment.**
- **Precision and Quality are the key to access all the benefits of indexing**

Performance vs. Risk (Jan-90 - Jun-12)



Created with mpi Stylus

Source: MPI Stylus



Challenges Facing Advisors Attempting to Allocate to Hedge Funds

- Many Financial Advisors utilize model portfolios to determine allocations to strategies and investments across client portfolios.
 - For hedge funds, the database indices are not investable.
 - Only less liquid, older funds, with higher minimum investment thresholds have track records long enough to put into models.
- Liquid, retail, alternative funds are growing but still a much smaller piece of the pie.
 - In the Morningstar database, the Long/Short Equity Category (MFs and ETFs) include 123 available funds.
 - In the Hedge Fund Research (HFRI) database, the Hedged Equity category contains over 1,000 managers (nearly 2000 funds).
 - and there are many more that are not listed.
- By using indices in asset allocation models, Advisors run the risk of selecting funds/managers or whose performance deviates widely from the indices and thus making their models invalid.
- **High Quality Hedge Fund Index Replication is a natural way to execute asset allocation decision timely and consistently.**

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