

4 T H A N N U A L

Innovative **ALTERNATIVE** **INVESTMENT STRATEGIES**

Absolute Return Funds

MODERATOR

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Director of Alternative Fund Research

Morningstar

PANELISTS

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ALPHA TITANS LLC

Axel Merk

President and CIO

Merk Investments



Does Absolute Return Exist?

“Absolute return” seems to imply positive performance in any market environment and all the time. For most investors and managers, this is not possible.

Rational reasons to invest in a “hedge fund”:

- ✓ Lower volatility, steadier, but still attractive returns.
- ✓ Returns uncorrelated with the rest of your portfolio.
- ✓ Isolate and pay only for “*Alpha*”, instead of “*Beta*”.
- ? Chance to earn very high returns (usually with significant leverage and with chances for large losses).



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Cognios' Approach

1. *Beta*-adjusted market neutral with modest leverage.
2. By hedging out the *Beta*, the returns should be pure *Alpha*.
3. The strategy's *Alpha* (and net return) is the sum of the amount that our long book beats the market and the amount that our short book underperforms the market, though we make money as long as the long book outperforms the short book.
4. Without the *Beta*, returns tend to be uncorrelated with the broader market.
5. Because of the large short book (though shorting has risks of its own) there should be significant protection from broad-based market declines.
6. Unlikely to beat the market by a lot in an up-market, but likely to help protect capital in a down market.
7. Potential to generate attractive returns over time. We strive to beat the S&P 500 over three year periods while remaining *Beta*-adjusted market neutral.



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- The democratization of the hedge fund through mutual fund products allows advisors to invest their clients' assets in proprietary investment strategies that have traditionally been unavailable to all investors.
- We believe this trend towards liquid alternatives has just begun and will benefit investors as the markets continue to be volatile and unpredictable.

As an investment adviser to a mutual fund, private funds and separately managed accounts for institutional and individual clients, Cognios is committed to proprietary, independent research based on risk-adjusted performance.



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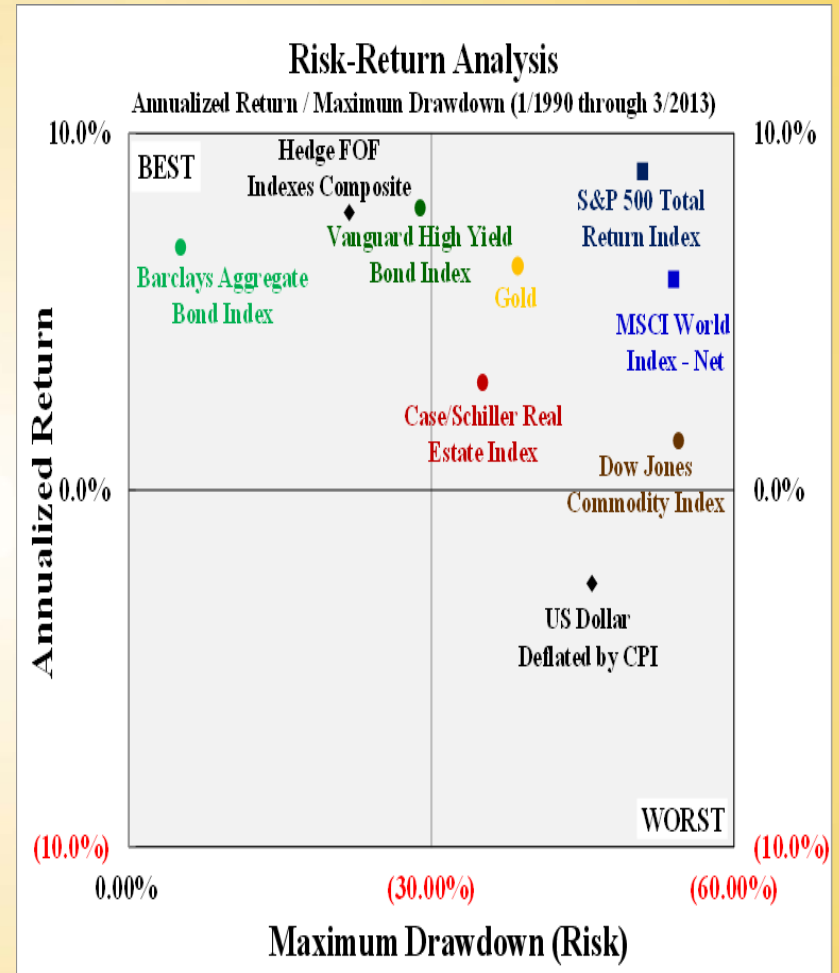
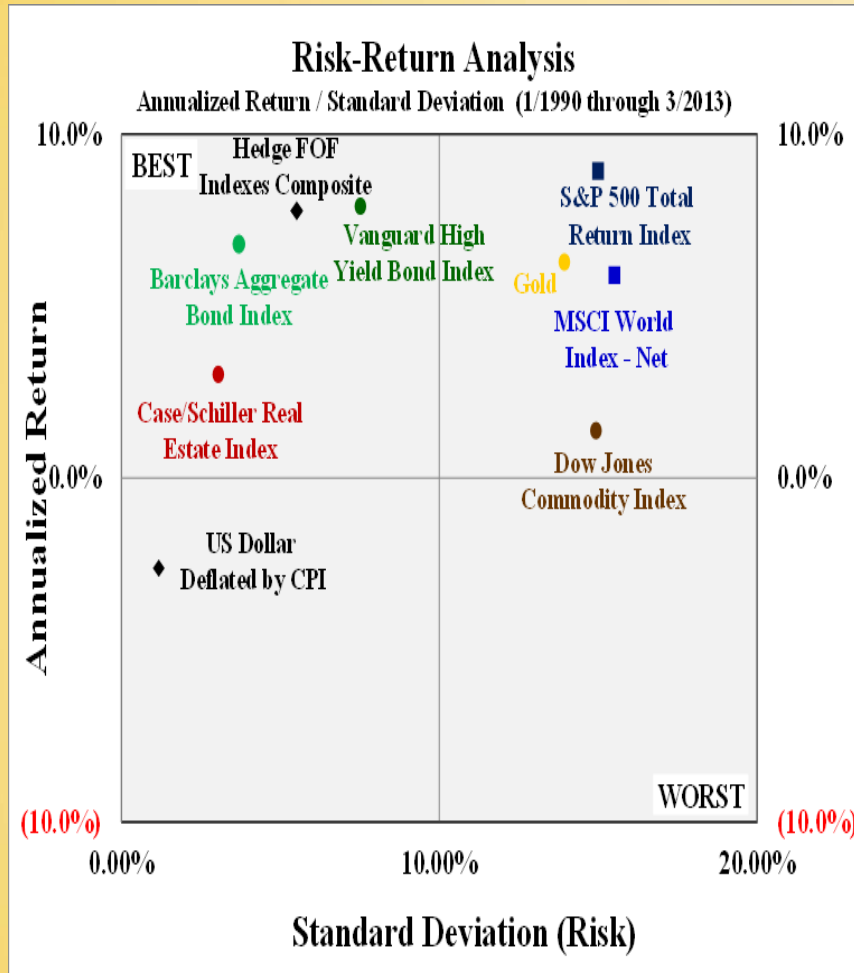
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Hedge Funds vs. Major Asset Classes: 1990-2013



ALPHA TITANS

Overview

- ALPHA TITANS exploits evolutionary changes in the hedge fund industry that have resulted in significant competitive advantages for top multi-strategy “Alpha Titan” managers. See our whitepaper: [Why Alpha Titans?](#)
- The investment thesis seeks to Maximize Return and Minimize Risk through diversifying assets among a new breed of investment professional in the hedge fund industry.
- Consistent outperformance (of approximately 3.5% annually) versus the FOF peer group appears to verify the underlying investment thesis. Downside risk has also been significantly reduced.
- The Chief Investment Officer, Tim McCormack, has twenty-five years of experience allocating to alpha-return managers in the hedge fund industry.
- ALPHA TITANS LLC is a SEC Registered Investment Advisor



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Why Absolute?



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An Absolute Return Strategy may provide...



- Pure Alpha
- Low Volatility
- Low Correlation
- Absolute Returns



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Currency Investing



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Directional

- Basket of Currencies
- Managed Basket of Currencies



Dollar Index

Non-Directional

- Long / Short
- Absolute Return



DBCR

Inverse U.S. Dollar (Inv. DXY) Index: a measure of the inverse value of the United States dollar relative to a basket of foreign currencies including EUR, JPY, GBP, CAD, CHF and SEK.

Deutsche Bank Currency Returns (DBCR) Index: an equal-weighted blend of the most widely used investment strategies among active currency managers. It captures long term systematic returns available in the world currency markets.

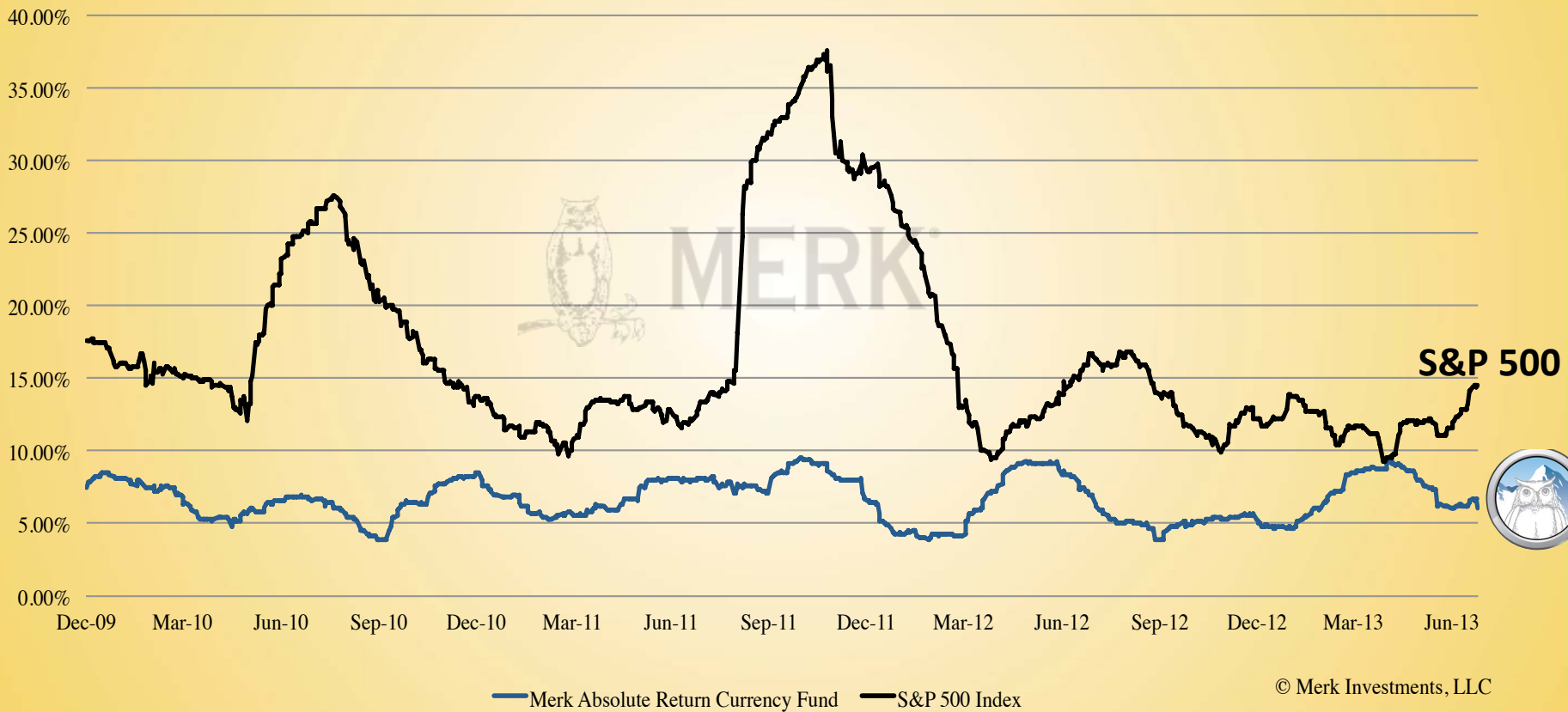


Private Wealth

Low Volatility?



Absolute returns with historically low volatility



Source: Merk Investments, Bloomberg
Calculations based on Daily Returns for period 09/09/2009 - 04/30/2013. Rolling standard deviation is measured on a 60 days time-period.
Source: Merk Investments, Bloomberg

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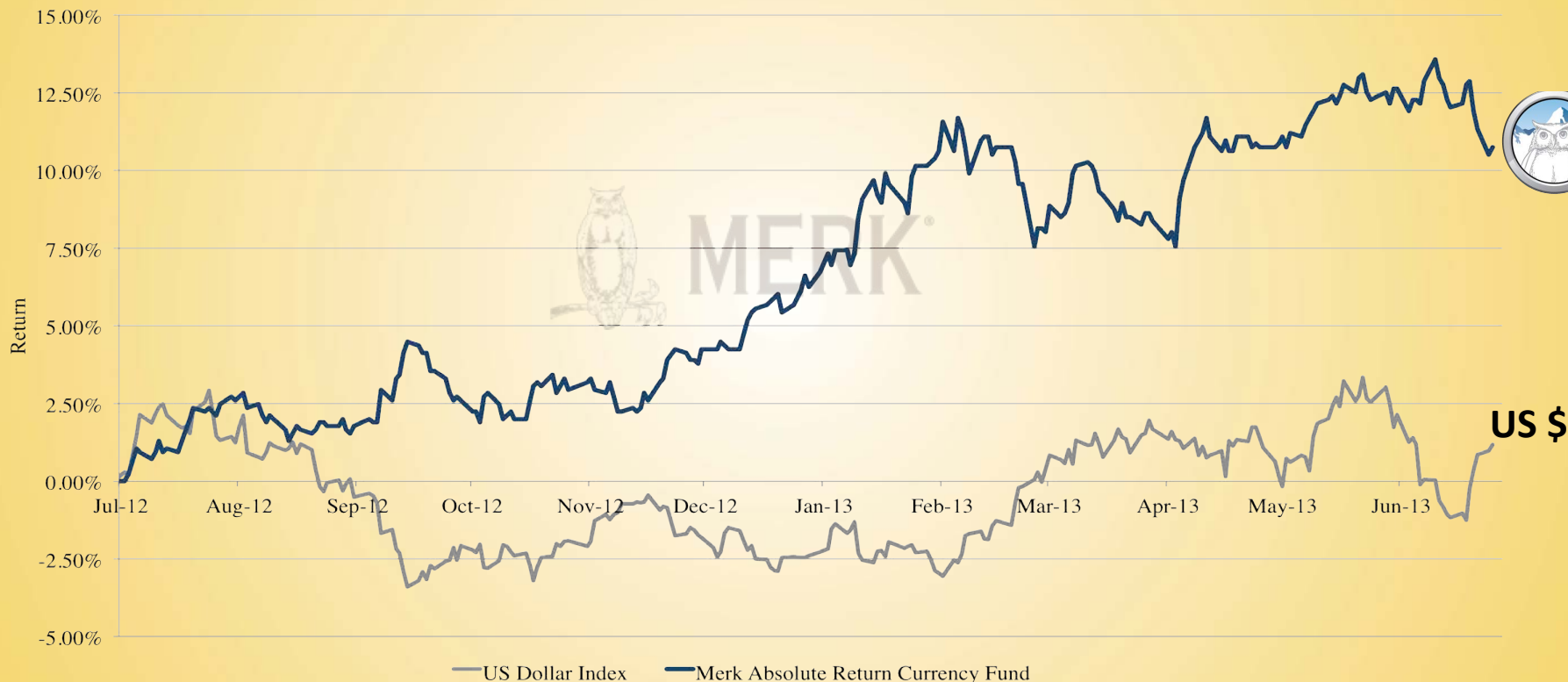


Absolute Returns?



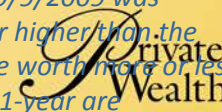
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Absolute returns independent of market environment or dollar direction



Source: Merk Investments, Bloomberg
1-year performance as of 6/30/2013. Calculations based on daily data.

As of June 30, 2013, the Fund's 1-year performance was +10.63%, 3-year performance -0.59% and performance since inception on 9/9/2009 was -1.02%. Performance data represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Please visit www.merkfunds.com for most recent month end performance. All performance figures greater than 1-year are annualized unless otherwise specified. The Fund's Investor Shares expense ratio is 1.30%.



Investment Process



MERK



Strategic Allocation

Valuation

Momentum

Carry Trade

Resources

Strategic Allocation versus
World Trade benchmark

Allocation Shifts

Quantitative Risk
Optimization

Tactical Allocation

Dynamic Volatility

Discretionary
Active Management

The **Strategic Allocation** consists of an aggregation of quantitative strategies that are commonly used in currency as well as a systematic integration of the Merk Hard Currency Strategy investment process. These sub-strategies are aggregated using Quantitative Risk Optimization in order to manage the risk profile.

The **Tactical Allocation** consists of a *Dynamic Volatility* component as well as a *Discretionary Active Management* component seeking to capture real-time profit opportunities or avoid potential losses resulting from current political and economic event risks.

FINANCIAL ADVISOR

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Disclosure



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Information contained herein may discuss Fund performance and holdings. Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. For performance current to the most recent month-end, please visit our website at www.merkfunds.com/fund.

Since the Funds primarily invest in foreign currencies, changes in currency exchange rates affect the value of what the Funds own and the price of the Funds' shares. Investing in foreign instruments bears a greater risk than investing in domestic instruments for reasons such as volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, emerging market risk, and relatively illiquid markets. The Funds are subject to interest rate risk, which is the risk that debt securities in the Funds' portfolio will decline in value because of increases in market interest rates. The Funds may also invest in derivative securities, such as forward contracts, which can be volatile and involve various types and degrees of risk. If the U.S. dollar fluctuates in value against currencies the Funds are exposed to, your investment may also fluctuate in value. For a more complete discussion of these and other Fund risks please refer to each Fund's prospectus.

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling 1-866-MERK FUND or visiting the Fund's website. Please read the prospectus carefully before you invest. Foreside Fund Services, LLC, distributor.



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