Real Assets and Inflation Hedging Strategies

Jamie Biddle
Founder, CEO, and Portfolio Manager, Real Assets
Important Information

The information contained herein does not constitute the provision of investment advise nor does it convey an offer of any type. It is not intended to be, and should not be construed as, an offer to sell or the solicitation of an offer to buy any securities or other financial products. Offers will only be made through a private placement memorandum to qualified investors and only in those jurisdictions where permitted by law. No assurances can be made that any expectations, strategies and/or goals expressed or implied will be realized or successful or that the activities or any described performance will continue in the same manner or at all. Only investors who can withstand the loss of all or a substantial part of their investment should consider investing in any of the strategies described in this presentation. The fees and expenses charged in connection with investment in any of the strategies may be higher than those charged in connection with other investments and, in some market conditions, may offset any profits achieved by the strategy. An individual investor's actual net performance may differ from the performance presented as a result of characteristics attributable to the legal structure of the Fund and class of shares/partnership interests in which such investment is made, the timing of capital contribution and withdrawals, eligibility to participate in "new issues" profits and losses, participation in side pocket investments, and the payment of performance and management fees.

Unless expressly stated otherwise, any performance data has not been audited and remains subject to further adjustment. Indices included in this document are for purposes of comparing returns to broad-based indices most comparable to the types of investments held in the fund(s). The fund(s)' strategy, industry segments, geographic regions, asset types, and investment weightings do not necessarily track the index. This material has been prepared based upon information that Verdis Investment Management, LLC believes to be reliable. We cannot guarantee the accuracy or completeness of such information and we assume no liability for damages resulting from or arising out of the use of such information. Past performance is not indicative of future returns and all investments have the potential to lose value.
Verdis Investment Management provides a diversified platform of funds-of-funds in alternative investment strategies including real assets and hedged strategies.

Jamie Biddle, Founder, CEO and Portfolio Manager, Real Assets

Jamie founded Verdis Investment Management in December 2004 and serves as CEO and as Portfolio Manager for Verdis' private market funds-of-funds. As CEO, he is responsible for corporate strategy and oversees all department functions including: Investment Management, Finance, Operations and Compliance, Marketing and Investor Relations. In his role as Portfolio Manager, Jamie is a member of the Verdis Real Assets team, which is responsible for the development and management of the Verdis Real Assets Funds, including investment strategy, portfolio construction, manager sourcing and selection, due diligence and risk management. He is a member of Verdis' Investment Committee.
Market Environment
Global Macro Environment for Commodities

- Increasing emerging market demand
- Expanding global middle class
- Low-cost reserves rapidly depleting, while incremental supply more expensive to produce
- Geopolitical instability in resource producing countries
- Constraints on supply from increasing regulatory and environmental concerns
- Unprecedented Central Bank stimulus

While demand is increasing, we are running out of cheap resources.
Role of Real Assets in a Diversified Portfolio
Commodity Volatility Over Time

As of 12/31/12
Inflation Betas

Rolling 36 Month Period. Beta defined as covariance between CPI and asset, divided by the variance of CPI.
### Inflation Sensitive Assets

#### Public Investments

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The S&P North American Natural Resources benchmark represents U.S. traded securities that are classified under the GICS® energy and materials sector excluding the chemicals industry and steel sub-industry. The index is modified-capitalization weighted.

Cambridge Associates Natural Resources Benchmark Statistics are as of 9/30/12 and represent dollar-weighted pooled end-to-end returns for energy upstream & royalties and private equity energy, net of fees, expenses, and carried interest. The index is based on data compiled from 277 energy related funds, including fully liquidated partnerships, formed between 1986 and 2012.

Sources: Cambridge Associates LLC, MSCI Inc., Standard & Poor's and Thomson Reuters Datastream.

Why Private Equity Energy and Resources

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Private Equity Investing in Real Assets

• Invest in operating businesses with high-quality reserves and a low marginal cost of production

• Exposure to a diverse basket of commodities
  – Oil
  – Natural gas
  – Base metals
  – Precious metals
  – Row crops
  – Permanent crops

• Acquire producing assets and opportunities to expand production in the near term

• Partner with strong operators that add value to assets

• Focus on stable resource producing countries

• Take advantage of inefficiencies and dislocations in resource supply chains
Diversified Portfolio Construction
Portfolio Construction

Goldman Sachs Commodities Index (GSCI)
- Energy: 70%
- Agriculture/Livestock: 19%
- Metals and Minerals: 11%

Dow Jones-UBS Commodity Index
- Energy: 33%
- Agriculture: 31%
- Industrial Metals: 17%
- Precious Metals: 14%
- Livestock: 5%
Upstream Oil and Gas Investing

- Preference for acquisition and development of proven and probable reserves
- Limited exposure to exploration and “wildcat” funding
- Provide capital to accelerate reserve and production growth

The Private Placement Memorandum and associated documents of the Fund set forth the complete terms and risks of an investment in the Fund. Copies of these materials will be provided to qualified investors upon request.
Metals, Minerals & Mining Investing

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Agriculture Investing

- Preference for blend of row and permanent crops
- Seek geographic diversification
- Target operationally-focused managers that utilize best-in-class farming techniques and technology to improve crop yields
Energy Sector

- Vertically-integrated, upstream owner/operator investing in smaller transactions.
- Targets long-lived onshore assets with a high percentage of proven producing reserves.
- Looks to implement technical and operating expertise.

Represents a sample manager in this sector.
Downstream Sector

- Acquires and develops power generation assets
- Seeks to capitalize on the inefficiencies created by a confluence of environmental, regulatory, financial and commodity factors

Represents a sample manager in this sector.
Agricultural Sector

- Acquires U.S. farmland in Midwest, South, and Northwest regions
- Seeks to significantly improve performance through the implementation of cutting edge farming technology and best-in-class farming techniques

Represents a sample manager in this sector.
Metals and Minerals Sector

ARCM

- Acquire mines that produce both base and precious metals, primarily in Latin America
- Provide expansion capital to mines near or already in production

Represents a sample manager in this sector.
Questions?

200 Four Falls Corporate Center, Suite 201
West Conshohocken, PA 19428
610-397-1600
www.verdisinvestment.com
ir@verdisinvestment.com