dedicated to **alternative investments**

Man Investments

Comparison of managed futures to long only commodities

March 2009

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Introduction

Investors commonly confuse managed futures and long only commodity funds. Both strategies seek to profit in the commodities markets, offer a strong alternative to traditional stock and bond investments and can, therefore, help stabilize a well diversified portfolio. However there are a number of investment characteristics that make these asset classes similar yet very different. An investor may want to consider including both managed futures and long only commodities in their portfolios for the reasons outlined below.

For the purposes of discussing these two investment approaches, managed futures will be represented by the CISDM CTA Asset Weighted Index, Stark 300 Trader Index and CSFB Managed Futures, and the long only commodities (specifically passive, long only indices) will be represented by the Dow Jones AIG Commodity Index, S&P Goldman Sachs Commodities Index (GSCI), and the Commodity Research Bureau Index. A common time period of January 1, 1994 through January 31, 2009 is selected for the analysis based on the earliest inception date of all the indices.

Figure 1

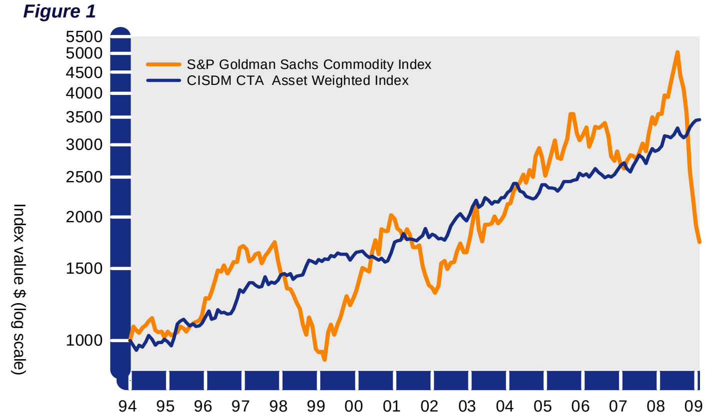

Figure 1 represents the top performing long only commodity funds, the S&P Goldman Sachs Commodities Index (GSCI) and the CISDM CTA Asset Weighted Index over a common period from January 1, 1994 through January 31, 2009.

An overview of managed futures

Managed futures funds, also know as CTAs (commodity trading advisors), attempt to profit through exposure to a wide range of liquid global futures, forwards and option contracts.

There are two primary investment approaches: discretionary and quantitative (or systematic). Discretionary managers base their investment decisions on the judgment of the investment manager, while quantitative funds use computers to identify trends in markets and trade around these opportunities. As their investment processes can be highly automated, systematic traders can typically access more markets and opportunities than discretionary managers. As a result, they comprise the lion's share of assets traded in this sector and the quantitative style is the focus of this paper.

Figure 2

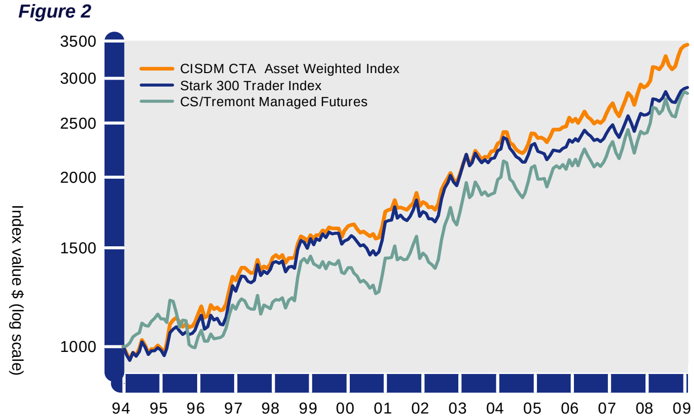

Figure 2 represents the managed futures funds (the CISDM CTA Asset Weighted Index, Stark 300 Trader Index, CSFB Managed Futures, Barclay CTA Index) over a common period from January 1, 1994 through January 31, 2009.

According to the Barclay Trading Group, global assets under management in managed futures was $206 billion at the end of 2008, with $139.2 billion invested through quantitative strategies and just $15.8 billion in discretionary managers.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Source: Bloomberg. Each index is unmanaged and does not incur management fees, transaction costs or other expenses. Investing in managed futures can involve substantial risks. See the risks section for a more detailed discussion of the risks.

While every fund is different, managed futures funds can:

- participate in a wide variety of futures, forwards and options markets, including:
  - bond indices
  - commodities
  - currencies
  - energy
  - financial instruments
  - interest rates
  - stock indices
- deploy systematic trading based on statistical analysis of market trends and price patterns
- apply sophisticated risk management systems
- profit in rising and falling markets, as evidenced in 2008 thereby providing downside protection as part of a diversified portfolio.

An overview of long only commodities

Many long only commodity managers attempt to profit from tracking commodity index returns through passive (buy and hold) exposure to a broad range of commodities. The characteristics of long only commodities include:

- participation predominately in the commodities markets:
  - agriculturals (e.g. grains like corn, soybeans, oats and wheat)
  - metals (e.g. gold, silver, copper, platinum, aluminum)
  - livestock (e.g. pork bellies and live cattle)
  - softs (e.g. cocoa, sugar and lumber)
  - energy (e.g. crude oil and natural gas)
- prices are influenced by supply and demand, market sentiment and inflation
- while gains can be substantial, cyclical trends can cause significant drawdowns which are evidenced in the current environment
- apply various fundamental and technical risk management
- profit in rising markets only.

Figure 3

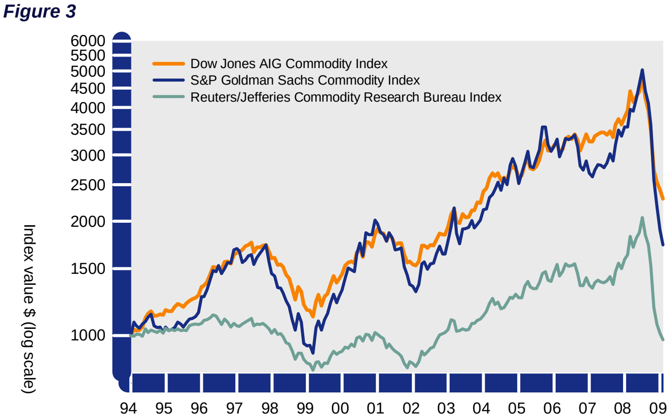

Figure 3 represents the managed futures funds (the CISDM CTA Asset Weighted Index, Stark 300 Trader Index, CSFB Managed Futures, Barclay CTA Index) over a common period from January 1, 1994 through January 31, 2009.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Source: Bloomberg. [1]Represented by Man-AHL 130 for illustrative purposes. [2]Represented by S&P Goldman Sachs Commodities Index (GSCI). Each index is unmanaged and does not incur management fees, transaction costs or other expenses. Investing in managed futures can involve substantial risks. See the risks section for a more detailed discussion of the risks.

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Similarities and differences between managed futures and long only commodities

	Managed futures[1]	Long only commodities[2]
Market direction participation	Long and short	Long only
Sectors traded	A wide range (see figure 4)	Hard and soft commodities only (see figure 4)
Ability to profit on the downside	Yes	No
Correlation to other commodities, managed futures and hedge funds	Historically low (see figure 5)	Historically low (see figure 5)
Correlation to traditional asset classes (i.e. stocks and bonds)	Historically low (see figure 5)	Historically low (see figure 5)
Volatility	Tends to be high; equity like	Tends to be high; equity like
Liquidity	High (typically daily)	High (typically daily)
Portfolio rebalancing	Typically monthly	Typically monthly
Risk management	Sophisticated risk management systems	various fundamental and technical risk management
Performance generation	Alpha	Commodity beta
Oversight	Commodity and Futures Trading Commission	Commodity and Futures Trade Commission
Registration with	National Futures Association	N/A

Typical exposure of managed futures and long only commodities

Figure 4

	Managed futures[1]	Long only commodities[2]
Agricultural/Farming	✓	✓
Bond indices	✓	✗
Commodities/Physical	✓	✓
Currencies/FX	✓	✗
Energy	✓	✓
Interest Rates	✓	✗
Metals	✓	✓

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Correlation of asset classes

Figure 5

	S&P 500 TR Index (dividends reinvested)	Barclays Capital U.S. Aggregate Bond Index	CISDM CTA Asset Weighted Index	S&P Goldman Sachs Commodity Index Total Return	HFRI Fund of Funds Composite Index
HFRI Fund of Fund Index	0.59	0.07	0.18	0.37	1.00
S&P Goldman Sachs Commodity Index Total Return	0.15	0.05	0.16	1.00	
CISDM CTA Asset Weighted Index	-0.10	0.20	1.00		
Barclays Capital U.S. Aggregate Bond Index	0.08	1.00			
S&P 500 TR Index (dividends reinvested)	1.00				

The correlation coefficients calculated above from January 1, 1994 through January 31, 2009, show how the monthly return deviations, from the trends, for each asset class relate to each other. If the two asset classes are positively correlated, the deviations of their monthly returns from each of their respective trends are generally in the same direction. If two asset classes are negatively correlated, the deviations of their monthly returns from each of their respective trends are generally in the opposite direction.

Including in a portfolio, assets that enjoy low or non-correlation to each other, can potentially reduce the volatility of portfolio returns (compared to the volatility of the asset classes). It is worth noting that during the recent financial crisis beginning in July 2007 through January 31, 2009, the correlation of the S&P Goldman Sachs Commodity Index Total Return to the S&P 500 TR Index (dividends reinvested) is 0.58, while the CISDM CTA Asset Weighted Index remained lowly correlated to the S&P Goldman Sachs Commodity Index Total Return at 0.18 and negatively correlated to S&P 500 TR Index (dividends reinvested) at -0.33.

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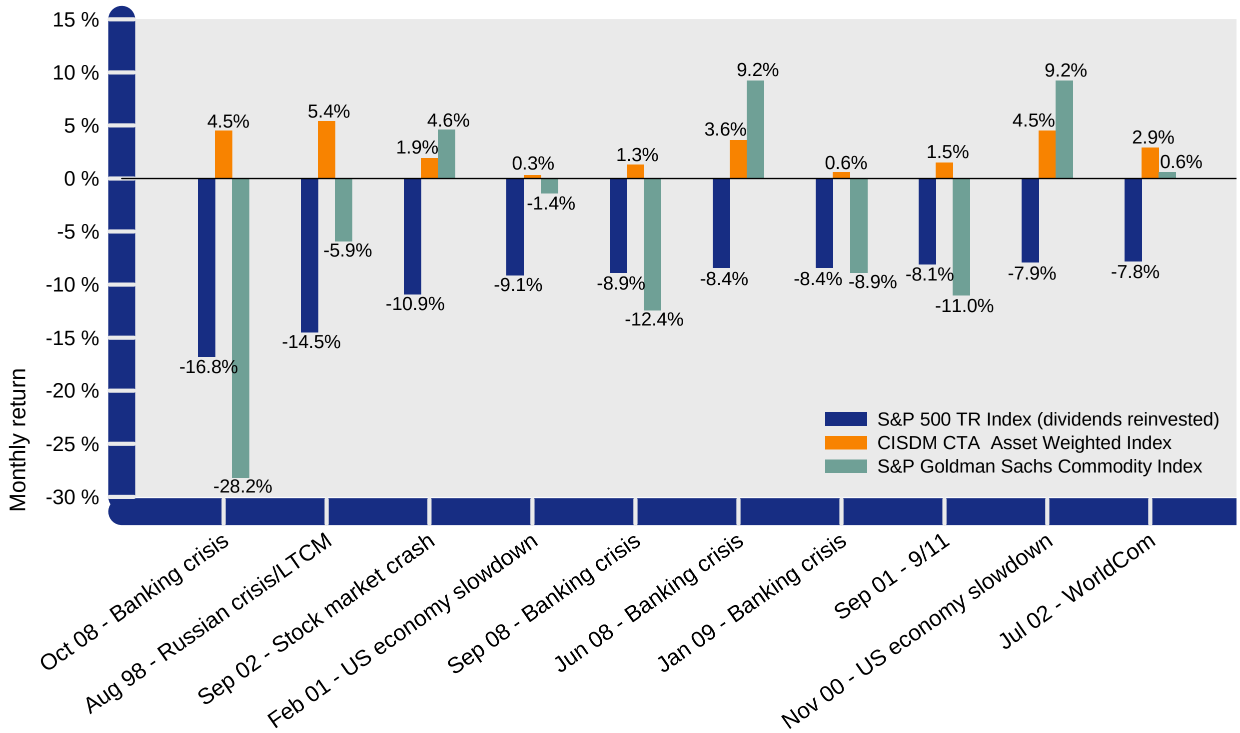
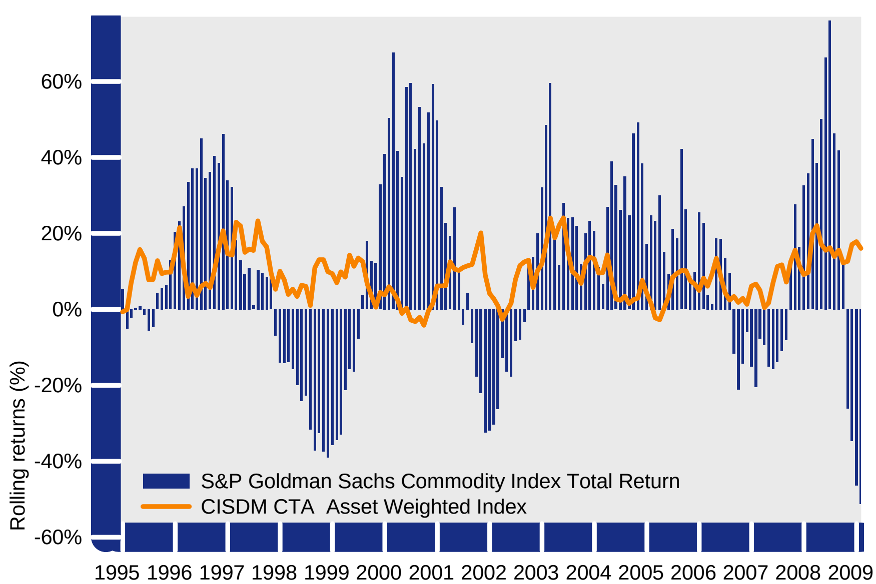
Illustrative portfolio performance

Managed futures and commodities are excellent diversifiers in "crisis periods" for the stock markets as shown below.



Twelve month rolling returns from January 31, 1994 to January 31, 2009



	CISDM CTA	S&P GSCI
Total rolling return periods	170	170
Positive rolling return periods	158	114
Negative rolling return periods	12	56
% of postive rolling return periods	92.9%	67.1%
% of negative rolling return periods	7.1%	32.9%
Average return of all rolling return periods	8.9%	11.7%
Highest return of all rolling return periods	24.1%	76.0%
Lowest return of all rolling return periods	-4.2%	-51.3%
Median of all rolling return periods	9.1%	12.8%
Average return during positive rolling return periods	9.8%	26.8%
Average return during negative rolling return periods	-1.9%	-19.0%

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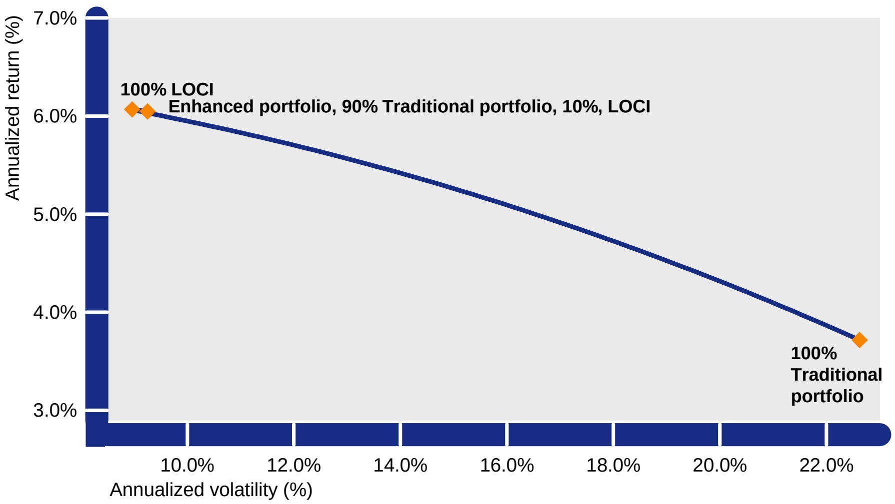
Figure 6 represents an illustrative traditional portfolio of U.S. stocks, U.S. bonds and cash compared to a portfolio enhanced with a long only commodity index (LOCI) from January 1, 1994 through January 31, 2009.

Figure 6



Traditional portfolio

Total return	**142.5%**
Annualized return	**6.0%**
Annualized volatility	**9.3%**

$100,000 invested at inception would have grown to $242,458

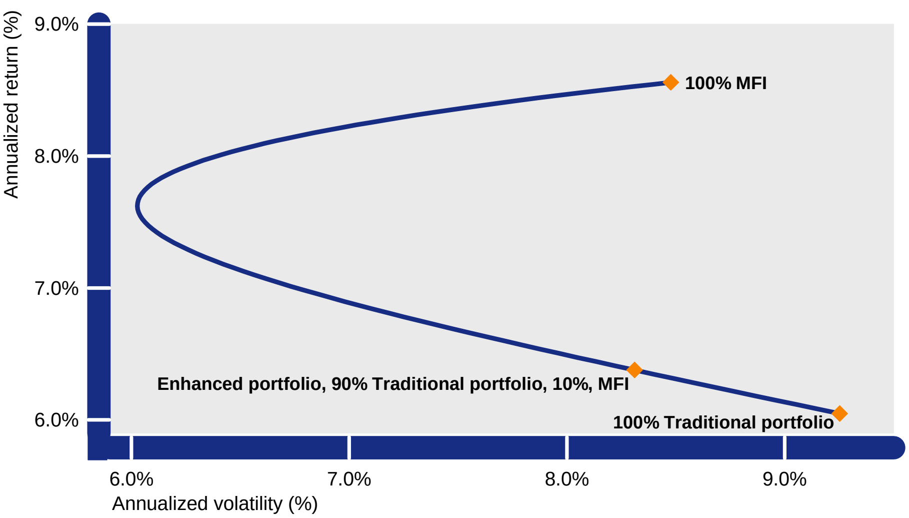
Enhanced portfolio

Total return	**143.1%**
Annualized return	**6.1%**
Annualized volatility	**9.0%**

$100,000 invested at inception would have grown to $257,776

Figure 7 represents an illustrative traditional portfolio of U.S. stocks, U.S. bonds and cash compared to a portfolio enhanced with a managed futures index (MFI) from January 1, 1994 through January 31, 2009.

Figure 7



Traditional portfolio

Total return	**142.5%**
Annualized return	**6.0%**
Annualized volatility	**9.3%**

$100,000 invested at inception would have grown to $242,458

Enhanced portfolio

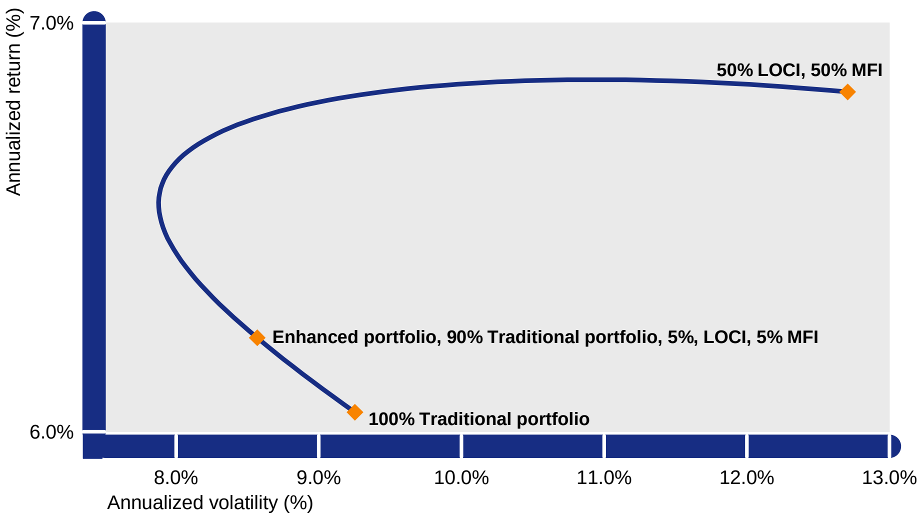
Total return	**154.1%**
Annualized return	**6.4%**
Annualized volatility	**8.3%**

$100,000 invested at inception would have grown to $254,086

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Source: Bloomberg. LOCI: represented by S&P Goldman Sachs Commodities Index (GSCI). MFI: represented by CISDM CTA Asset Weighted Index. Traditional portfolio represented by 60% U.S. stocks: S&P 500 Total Return Index (dividends reinvested), 30% U.S. bonds: Barclays Capital U.S. Aggregate Bond Index. 10% cash: 3 month U.S. LIBOR Index. Enhanced portfolio: 90% traditional portfolio and 10% managed futures/and/or long only commodities. Combining actively managed investments such as a managed futures fund with passive investment indices such as the S&P 500 Total Return Index and the Barclays Capital U.S. Aggregate Bond Index has material inherent limitations. Each index is unmanaged and does not incur management fees, transaction costs or other expenses associated with a fund of hedge funds. In order for a portfolio consisting of stocks, bonds, cash and managed future fund to outperform a portfolio consisting of stocks, bonds and cash only, managed futures fund must outperform stocks, bonds or cash over the period measured. There can be no assurance that that will, in fact, occur. **THE FOREGOING DOES NOT REPRESENT ANY ACTUAL PORTFOLIO COMPOSITION BUT ONLY THE POSSIBLE RESULTS WHICH MIGHT HAVE OCCURRED HAD MANAGED FUTURES OR LONG ONLY COMMODITIES BEEN INCLUDED IN A TRADITIONAL PORTFOLIO DURING THE PERIOD SHOWN. 10% IS ONLY AN EXAMPLE. YOU MUST DETERMINE IF AN ALLOCATION TO MANAGED FUTURES IS SUITABLE FOR YOUR PORTFOLIO, AND IF SO, THE APPROPRIATE AMOUNT.** Investing in managed futures can involve substantial risks. See the risks section for a more detailed discussion of the risks.

Figure 8 represents an illustrative traditional portfolio of U.S. stocks, U.S. bonds and cash compared to a portfolio enhanced with a long only commodity index (LOCI) and a managed futures index (MFI) from January 1, 1994 through January 31, 2009.

Figure 8



Traditional portfolio

Total return	**142.5%**
Annualized return	**6.0%**
Annualized volatility	**9.3%**

$100,000 invested at inception would have grown to $242,458

Enhanced portfolio

Total return	**148.8%**
Annualized return	**6.2%**
Annualized volatility	**8.6%**

$100,000 invested at inception would have grown to $248,808

Conclusion

Managed futures and long only commodities enhance the risk / return characteristics of a traditional portfolio of stocks, bonds and cash both individually and when combined together. Managed futures offer historically low correlation to commodities, hedge funds, and traditional asset classes (i.e. stocks and bonds) and commodities offer historically low correlation to managed futures, hedge funds, and traditional asset classes (i.e. stocks and bonds). Figures 6 and 7 illustrate this by showing how these allocations have a tendency to reduce overall volatility while generating higher returns. Perhaps an ideal allocation for clients would be a combination of the two as figure 8 shows.

To learn more about managed futures and alternative investments, visit our website www.maninvestments.com

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Source: Bloomberg. LOCI: represented by S&P Goldman Sachs Commodities Index (GSCI). MFI: represented by CISDM CTA Asset Weighted Index Traditional portfolio represented by 60% U.S. stocks: S&P 500 Total Return Index (dividends reinvested), 30% U.S. bonds: Barclays Capital U.S. Aggregate Bond Index. 10% cash: 3 month U.S. LIBOR Index. Enhanced portfolio: 90% traditional portfolio and 10% managed futures/and/or long only commodities. Combining actively managed investments such as a managed futures fund with passive investment indices such as the S&P 500 Total Return Index and the Barclays Capital U.S. Aggregate Bond Index has material inherent limitations. Each index is unmanaged and does not incur management fees, transaction costs or other expenses associated with a fund of hedge funds. In order for a portfolio consisting of stocks, bonds, cash and managed future fund to outperform a portfolio consisting of stocks, bonds and cash only, managed futures fund must outperform stocks, bonds or cash over the period measured. There can be no assurance that that will, in fact, occur. **THE FOREGOING DOES NOT REPRESENT ANY ACTUAL PORTFOLIO COMPOSITION BUT ONLY THE POSSIBLE RESULTS WHICH MIGHT HAVE OCCURRED HAD MANAGED FUTURES OR LONG ONLY COMMODITIES BEEN INCLUDED IN A TRADITIONAL PORTFOLIO DURING THE PERIOD SHOWN. 10% IS ONLY AN EXAMPLE. YOU MUST DETERMINE IF AN ALLOCATION TO MANAGED FUTURES IS SUITABLE FOR YOUR PORTFOLIO, AND IF SO, THE APPROPRIATE AMOUNT.** Investing in managed futures can involve substantial risks. See the risks section for a more detailed discussion of the risks.

Disclosures

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The types of transactions described herein involve significant risks. This is only a summary of certain risks of investing in a managed futures fund. Such Fund's Confidential Private Offering Memorandum ("Memorandum") contains a more exhaustive discussion of these issues and should be read in its entirety. Unless specified otherwise, the terms used herein have the same meaning as defined in such Fund's Memorandum.

Potential loss of investment – No guarantee or representation that the strategies described herein will be successful. Moreover, investors may lose all or some of their investments. Hedge funds typically represent that their returns have a low correlation to the major market indices. Investors should be aware that hedge funds may incur losses both when major indices are rising and falling.

Use of leverage – Futures trading normally requires low margin requirements which allows for an extremely high degree of leverage.

Fees and expenses - 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. Please refer to a specified Fund's Memorandum for a more complete description of risks and a comprehensive description of each expense to be charged this pool.

Counterparty and bankruptcy risk – Managed Futures also entails counterparty risk.

Limited liquidity – Your ability to redeem (liquidate) your Units will be limited and subject to certain restrictions and conditions. No secondary public market for the sale of the Units exists, nor is one likely to develop. In addition, your Units will not be freely transferable.

Tax risks- Investors in hedge funds are subject to pass-through tax treatment of their investment. Since profits generally are reinvested in managed futures strategies, investors may incur tax liabilities during a year in which they have not received a distribution of any cash from the fund. In addition, it is likely that the general partner will not be able to prepare its tax returns in time for investors to file their returns without requesting an extension of time to file.

Volatile markets – Trading in futures is a speculative activity. Futures prices may be highly volatile. Market prices are difficult to predict and are influenced by many factors, including: changes in interest rates, weather conditions, government intervention and changes in national and international political and economic events. Please refer a specified Fund's Confidential Private Offering Memorandum for a more comprehensive description of volatility factors.

The above summary is not a complete list of the risks, tax considerations and other important disclosures involved in investing in a Fund and is subject to the more complete disclosures in such Fund's offering documents, which must be reviewed carefully prior to making an investment.]

Man Investments Inc.
One Rockefeller Plaza, 16th floor, New York, NY 10020 Tel: (646) 452-9580
123 N. Wacker Drive, 28th floor, Chicago, IL 60606 Tel: (312) 881-6800
Man Investments Inc., Member FINRA and SIPC