

INTRODUCTION & INDUSTRY COMMENTARY



Produced by



DIVERSIFYING YOUR PORTFOLIO WITH HEDGE FUND STRATEGIES

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INTRODUCTION

Hedge Fund Definition

The term Hedge Fund describes a type of investment vehicle; Hedge Funds invest across a broad range of distinct strategies.

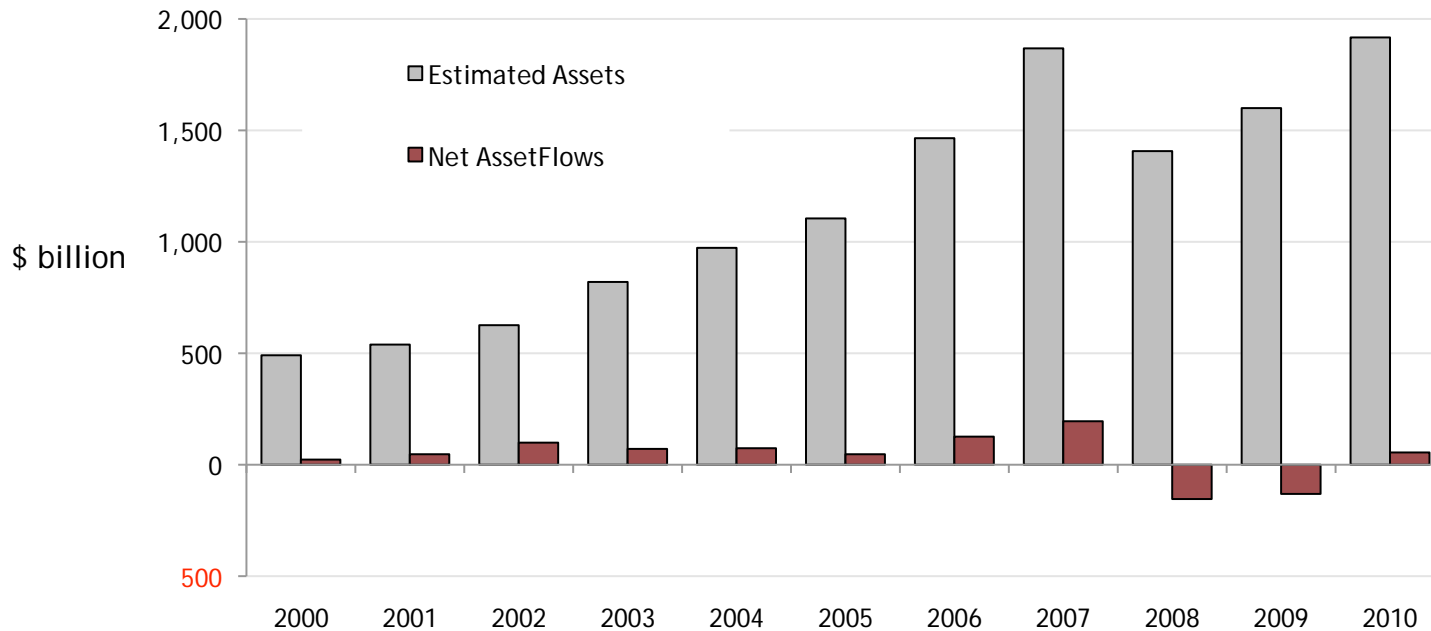
Structure

- Private investment partnerships available only to a limited number of accredited investors or qualified purchasers (3(c)1 or 3(c)7).
- Usually Delaware Limited Liability Companies for U.S. taxable investors; offshore vehicles available for non-U.S. or U.S. tax-exempt investors.
- As private partnerships are exempt from the 1940 Investment Company Act; will have to register under the 2010 Dodd-Frank Act.
- Hedge funds generally charge a management fee and a performance-based fee; typically 1.5% or 2% management fee plus a 20% performance fee.

Strategies

- The main strategies are Equity Long/Short, Event Driven, Relative Value, and Tactical Trading with additional sub-strategies within these classifications.
- Hedge funds can employ additional tools within these strategies including leverage, short selling, and derivatives.

Estimated Growth of Assets/Net Asset Flows

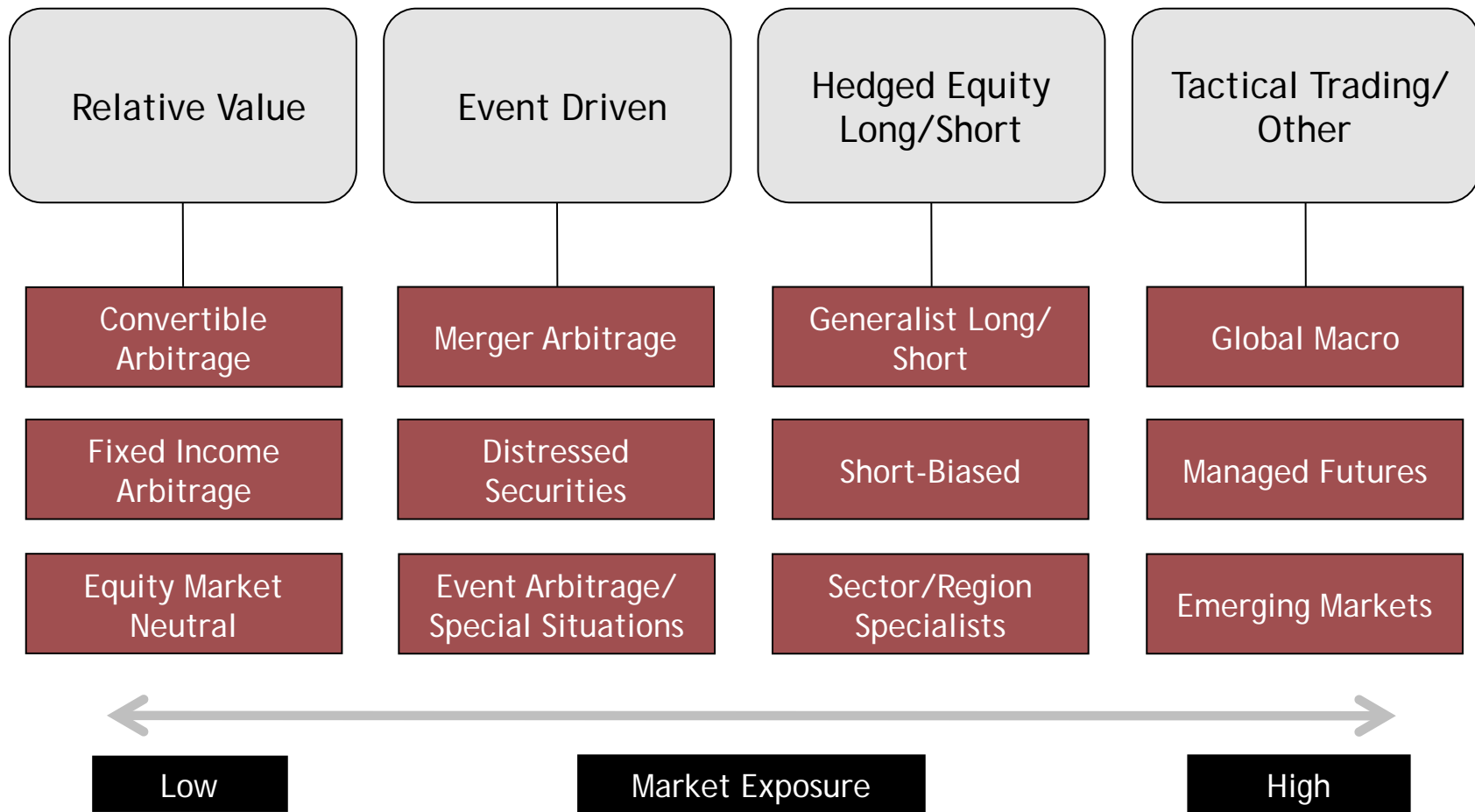


Source: Hedge Fund Research (HFR)

- Hedge funds have regained their pre-crisis asset levels at \$1.9 trillion.
- Net inflows in 2010 after redemptions of almost \$300 billion in 2008/2009.
- Funds over \$5 billion control \$1.1 trillion - over 60% of industry assets.
- Funds of Hedge Funds represent \$530 billion (37%), down from peak of \$825 billion (44%).

Hedge Fund Strategies

Strategy Groupings



Equity Long/Short

- The first hedge fund strategy, developed in 1949 by Alfred Winslow Jones
- Invests in long and short positions in equity securities and equity-related options and derivatives.
- Combining long positions, short exposure, and modest leverage is intended to produce superior risk-adjusted returns than long-only equity investing.
- As with long-only investing, managers can be generalists or can specialize by sectors, geography, or market capitalization.

Event Driven

- Seeks to exploit investment opportunities resulting from corporate events such as mergers/acquisitions, restructurings, or financial distress.
- Merger Arbitrage invests in announced mergers, looking to earn the spread between the deal price and market price of the target while hedging market risk through a short position in the acquirer.
- Distressed investing seeks to buy corporate bonds in distress at a substantial discount to the expected recovery value.
- The focus on individual corporate events is intended to reduce market exposure.

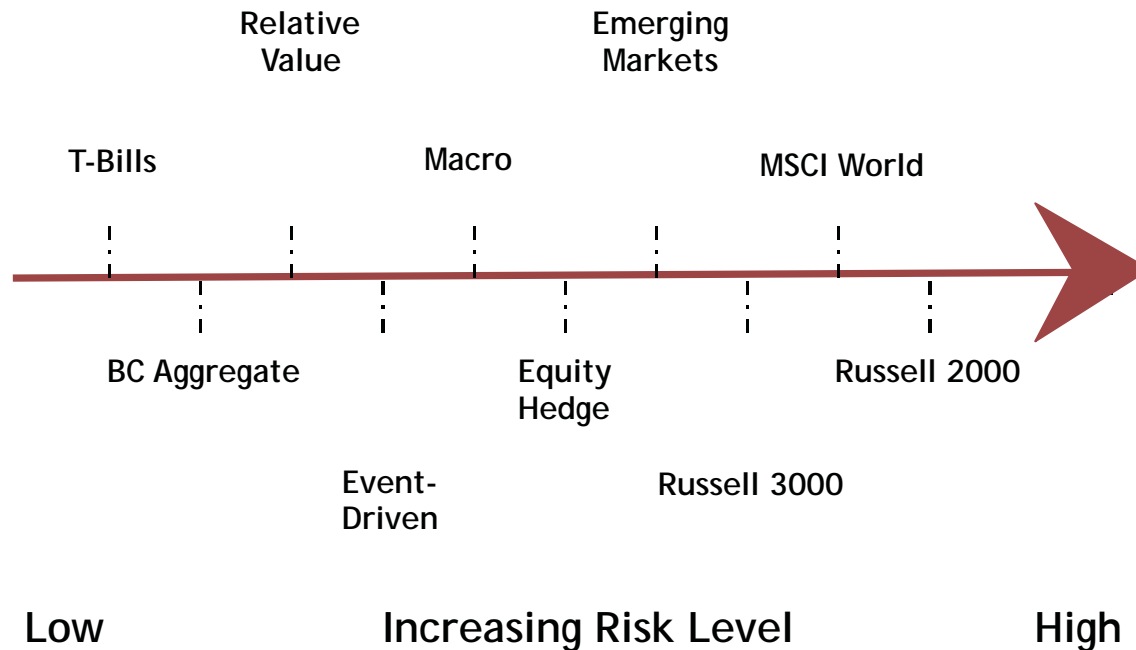
Relative Value

- Attempts to identify price discrepancies between related instruments, whether equities, debt, or derivatives.
- Convertible Arbitrage involves the purchase of convertible bonds, hedged through short stock sales, to create a portfolio of synthetic option positions.
- Equity Market Neutral seeks to exploit mispricings between two stocks by combining equally sized long and short positions to neutralize market risk.
- Relative Value strategies have little market exposure but enhance returns through the use of leverage.

Tactical Trading

- Managers seek to anticipate market movements across equities, bonds, currencies, and commodities.
- Global Macro managers employ fundamental analysis to forecast the impact of economic and political developments on global markets.
- Managed Futures managers (or Trend Followers) seek to identify trends in markets, either positive or negative. They develop complex models to systematically enter and exit trends across multiple markets and over different time frames.
- Managers can invest in futures, indices, or other instruments.

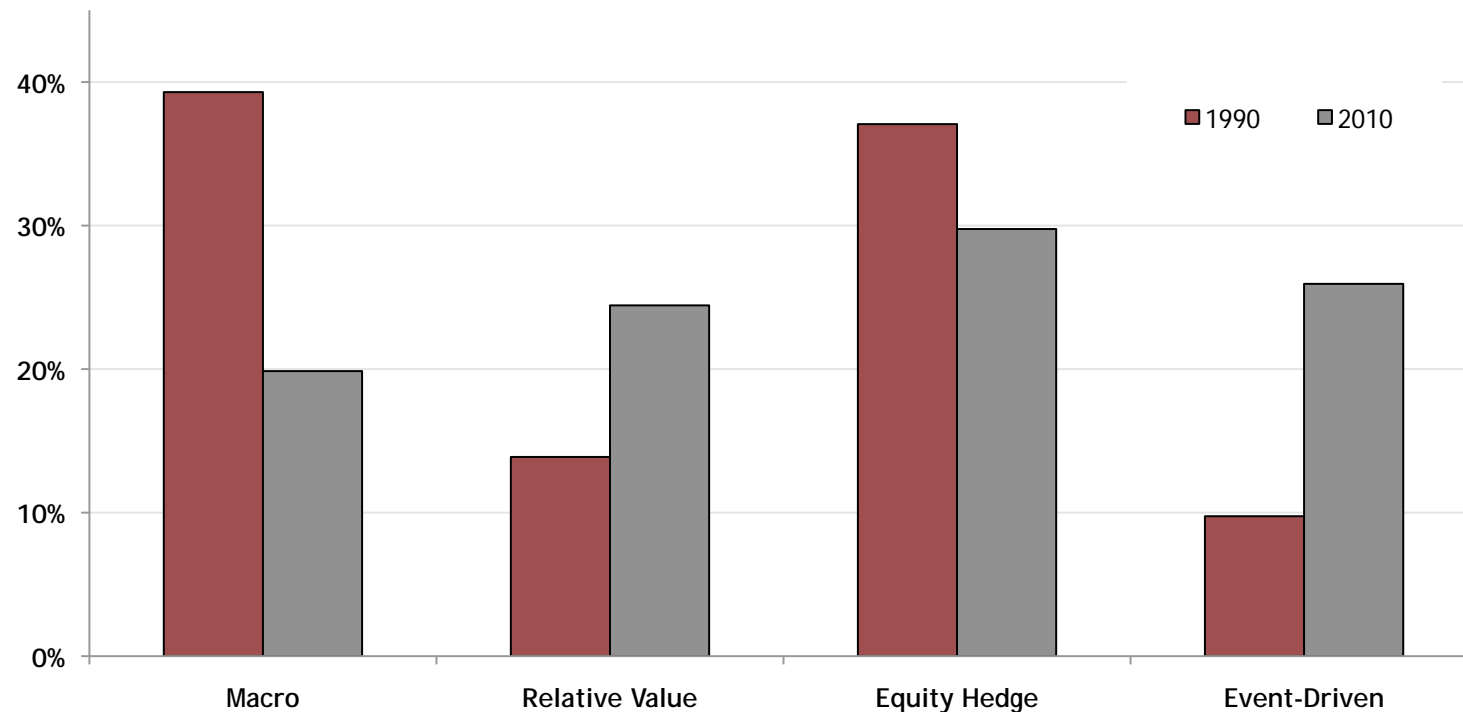
Hedge Fund Strategy Risk Spectrum



Note: Risk level is based on actual volatility of the HFRI Hedge Indices from January 1, 1990 through December 31, 2010.

Hedge fund volatility has historically fallen between bonds and equities with relative value the least volatile hedge fund strategy

Strategy Composition by AUM



Source: Hedge Fund Research, Inc.

- Equity Long/Short has the largest percentage of hedge fund assets.
- Tactical Trading has gone from the largest percentage in 1990, to the smallest percentage currently, although interest has increased since the crisis.
- Event Driven and Relative Value have increased their footprint from less than 25% combined in 1990, to over 50% in 2010.

Recent Performance

- The HFRI Fund Weighted Composite Index was up 10.5% in 2010, lagging the S&P 500 return of 15.1%.
- Over 3 and 5 years, the hedge fund index has outperformed the S&P 500 by 5.3% and 3.6% per year, respectively.
- Macro is the best performing strategy over 3 years and 5 years, reflecting positive performance in 2008.
- The HFRI Fund of Funds Composite Index has lagged the hedge fund index by 5% per year over the last 3 years.
- Inflows since the crisis have tended towards large managers, many of whom are now facing capacity issues.
- We continue to see client interest across hedge fund strategies:
 - Equity Long/Short - To retain equity market exposure but with dampened volatility
 - Event Driven - To benefit from an expected increase in corporate merger activity and on the Distressed side, in anticipation of a potential wall of maturities over the next few years
 - Macro - Displayed negative correlation characteristics evident in 2008 with perceived imbalances across global markets creating near-term opportunities

HFRI Index Returns to 12/31/2010			
Strategy	1 Year	3 Years*	5 Years*
Equity Hedge	10.6%	0.3%	4.5%
Event Driven	11.5%	2.9%	6.0%
Relative Value	11.7%	4.8%	7.1%
Macro	8.6%	5.9%	7.4%
Fund Weighted Composite	10.5%	2.4%	5.9%
Fund of Funds Composite	5.6%	(2.6%)	2.4%
S&P 500	15.1%	(2.9%)	2.3%
MSCI World	12.3%	(4.3%)	3.0%
Barclays Capital Aggregate	6.5%	5.9%	5.8%

Source: Hedge Fund Research, Inc.

* Annualized

Annual Hedge Fund Strategy Performance

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Best	24.84%	23.41%	24.82%	44.22%	34.63%	13.37%	29.17%	29.56%	18.89%	14.40%	16.84%	12.81%	28.41%	60.17%	13.07%
	21.75%	22.79%	15.98%	38.49%	18.02%	13.28%	9.05%	25.33%	15.01%	10.60%	15.94%	11.11%	18.06%	28.14%	11.73%
	21.10%	21.23%	7.77%	31.29%	14.50%	12.18%	7.44%	21.42%	9.03%	10.27%	15.33%	10.48%	4.83%	25.81%	11.53%
	20.77%	18.82%	7.23%	26.47%	13.41%	8.99%	5.44%	20.54%	8.35%	9.30%	14.24%	10.34%	-5.37%	25.04%	11.26%
	16.61%	16.79%	6.19%	26.17%	11.79%	8.92%	5.28%	19.55%	7.68%	8.27%	12.89%	10.25%	-18.04%	24.57%	10.58%
	16.07%	16.44%	2.81%	24.33%	9.09%	6.87%	3.57%	15.84%	6.86%	7.49%	12.37%	9.96%	-19.03%	19.98%	10.49%
	14.56%	16.20%	2.62%	18.93%	6.74%	4.62%	1.02%	15.36%	6.42%	7.29%	12.17%	8.94%	-19.86%	13.25%	9.69%
	14.49%	15.93%	1.70%	17.62%	5.77%	4.09%	-0.87%	11.61%	5.83%	7.28%	11.77%	7.68%	-21.37%	11.65%	8.61%
	14.39%	15.40%	-0.54%	16.94%	4.98%	3.11%	-1.45%	9.93%	5.58%	6.79%	11.71%	7.05%	-21.82%	11.47%	6.08%
	13.73%	14.95%	-1.61%	14.73%	4.07%	2.80%	-3.25%	9.72%	4.63%	6.25%	10.39%	6.61%	-25.16%	9.65%	5.60%
	13.47%	13.57%	-4.23%	14.41%	2.78%	2.76%	-4.04%	9.01%	4.08%	6.02%	9.21%	5.33%	-25.20%	4.34%	5.16%
	9.32%	12.72%	-5.11%	14.34%	1.97%	1.18%	-4.30%	7.47%	1.18%	5.13%	8.15%	5.08%	-26.65%	-1.68%	4.60%
Worst	-4.00%	3.86%	-9.83%	-24.40%	-0.60%	0.40%	-4.71%	-21.78%	-3.83%	-1.86%	-2.65%	4.72%	-33.73%	-24.03%	-18.38%

HFRI ED: Distressed/R restructuring Index	HFRI ED: Merger Arbitrage Index	HFRI EH: Short Bias Index	HFRI Equity Hedge (Total) Index	HFRI Event-Drive n (Total) Index	HFRI FOF: Conservativ e Index	HFRI FOF: Strategic Index	HFRI Fund of Funds Composite Index	HFRI Fund Weighted Composite Index	HFRI Macro (Total) Index	HFRI Macro: Systematic Diversified Index	HFRI Relative Value (Total) Index	HFRI RV: Fixed Income-Conve rtible Arbitrage
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Source: Hedge Fund Research, Inc.

Some strategies rarely hit the extremes, demonstrating their ability to generate somewhat consistent returns (HFRI Relative Value, HFRI Event Driven, HFRI ED Merger Arbitrage).

BENEFITS FOR INVESTORS

Adding a hedge fund allocation to a traditional mix of asset classes can produce the following potential benefits:

- Returns not entirely dependent on capital markets rising
- Enhanced portfolio diversification
- Lower volatility
- Attractive relative and absolute performance
- Hedge downside equity risk

There are also investment risks and operational considerations that need to be considered.

Returns not entirely dependent on rising capital markets.

January 1, 1990 to December 31, 2010

	HFRI Equity Hedge Index	HFRI Event-Driven Index	HFRI Relative Value Index	HFRI Macro Index
Barclays Capital U.S. Aggregate	0.19	0.13	0.12	0.58
Russell 3000 Index	0.45	0.33	0.15	0.18
MSCI World Index	0.42	0.30	0.15	0.18

Many institutional investors' portfolios derive the bulk of their returns from capital markets increasing in value. Hedge fund strategies are not entirely dependent upon rising capital markets and have access to additional sources of return.

Diversification

January 1, 1990 to December 31, 2010

	HFRI Equity Hedge Index	HFRI Event-Driven Index	HFRI Relative Value Index	HFRI Macro Index	Barclays Capital U.S. Aggregate	Russell 3000 Index	MSCI World Index
HFRI Equity Hedge Index	1.00						
HFRI Event-Driven Index	0.83	1.00					
HFRI Relative Value Index	0.66	0.74	1.00				
HFRI Macro Index	0.57	0.51	0.33	1.00			
Barclays Capital U.S. Aggregate	0.08	0.07	0.10	0.29	1.00		
Russell 3000 Index	0.76	0.73	0.52	0.37	0.14	1.00	
MSCI World Index	0.71	0.68	0.52	0.37	0.13	0.90	1.00

Hedge funds are imperfectly correlated with traditional asset classes. Correlations vary between strategies owing to different sources of return.

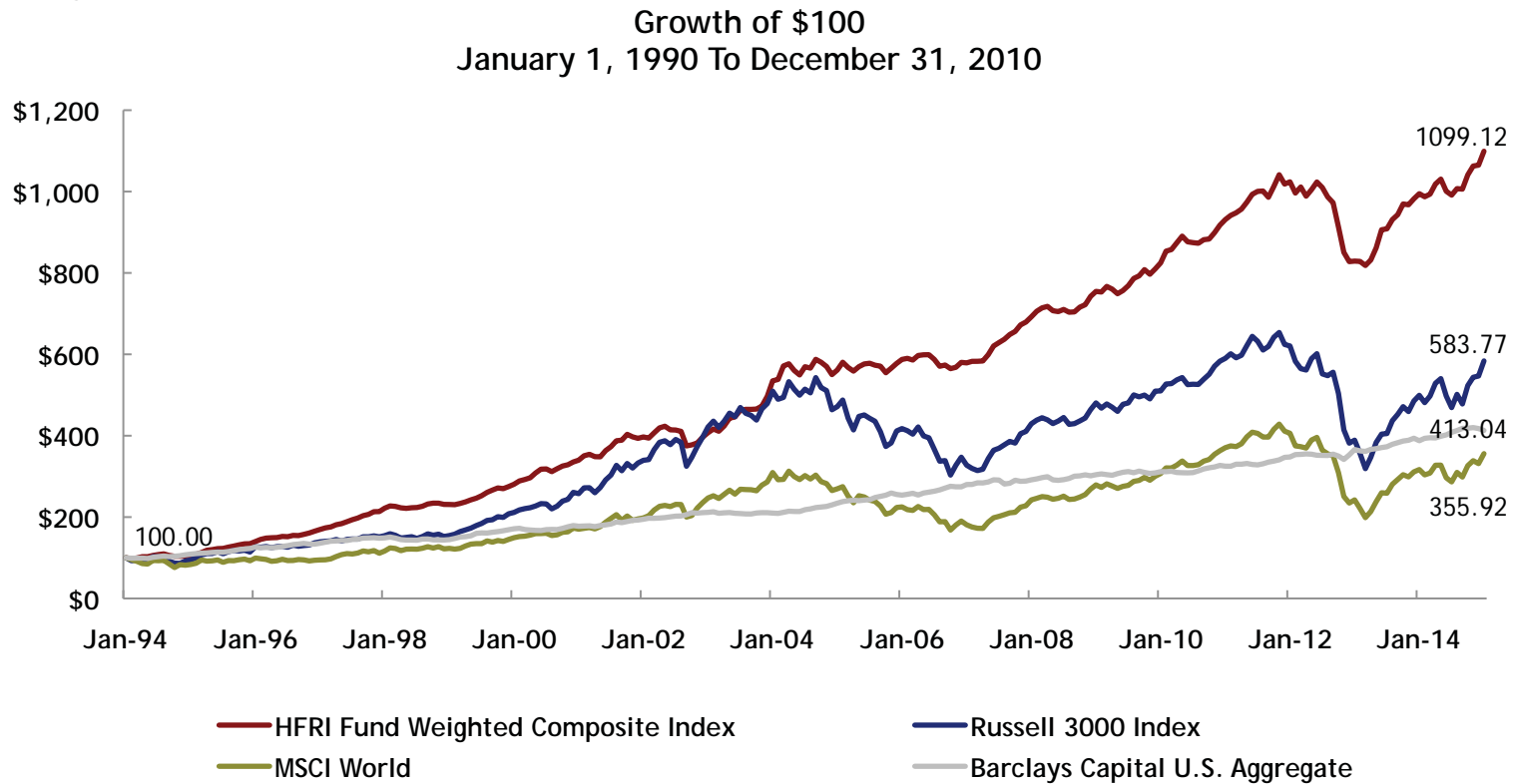
Low Volatility

January 1, 1990 to December 31, 2010

	HFRI Equity Hedge Index	HFRI Event- Driven Index	HFRI Relative Value Index	HFRI Macro Index	Barclays Capital U.S. Aggregate	Russell 3000 Index	MSCI World Index
Return	14.0%	12.4%	10.8%	13.6%	7.0%	8.8%	6.2%
Standard Deviation	9.2%	6.9%	4.5%	7.7%	3.8%	15.4%	15.6%
Sharpe Ratio	1.07	1.19	1.48	1.22	0.81	0.38	0.22

Hedge fund strategies have displayed substantially less volatility over the last 20 years than global equity markets: less than 2/3rds of equity volatility for the Equity Hedge index with Relative Value index volatility in line with bond markets. Individual hedge fund investments can have higher volatility, including the possibility of total loss.

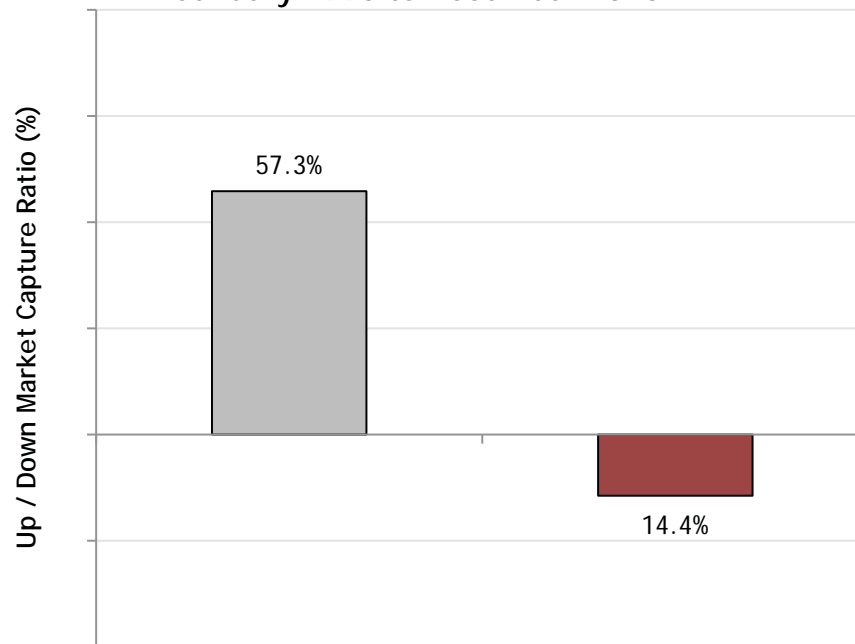
Higher Potential Returns



Hedge funds have the prospect for high absolute returns and the ability to exploit opportunities that are missed in traditional investment strategies.

Hedge

Market Capture Ratio
HFRI Fund Weighted Composite Index
vs. MSCI World
January 1990 to December 2010



57.3% Up Market Capture
The HFRI Fund Weighted Composite Index has captured close to 60% of the MSCI World Index gain in positive months.

14.4% Down Market Capture
The HFRI Fund Weighted Composite index has avoided over 85% of the MSCI World Index loss in negative months.

Potential protection in falling or volatile markets

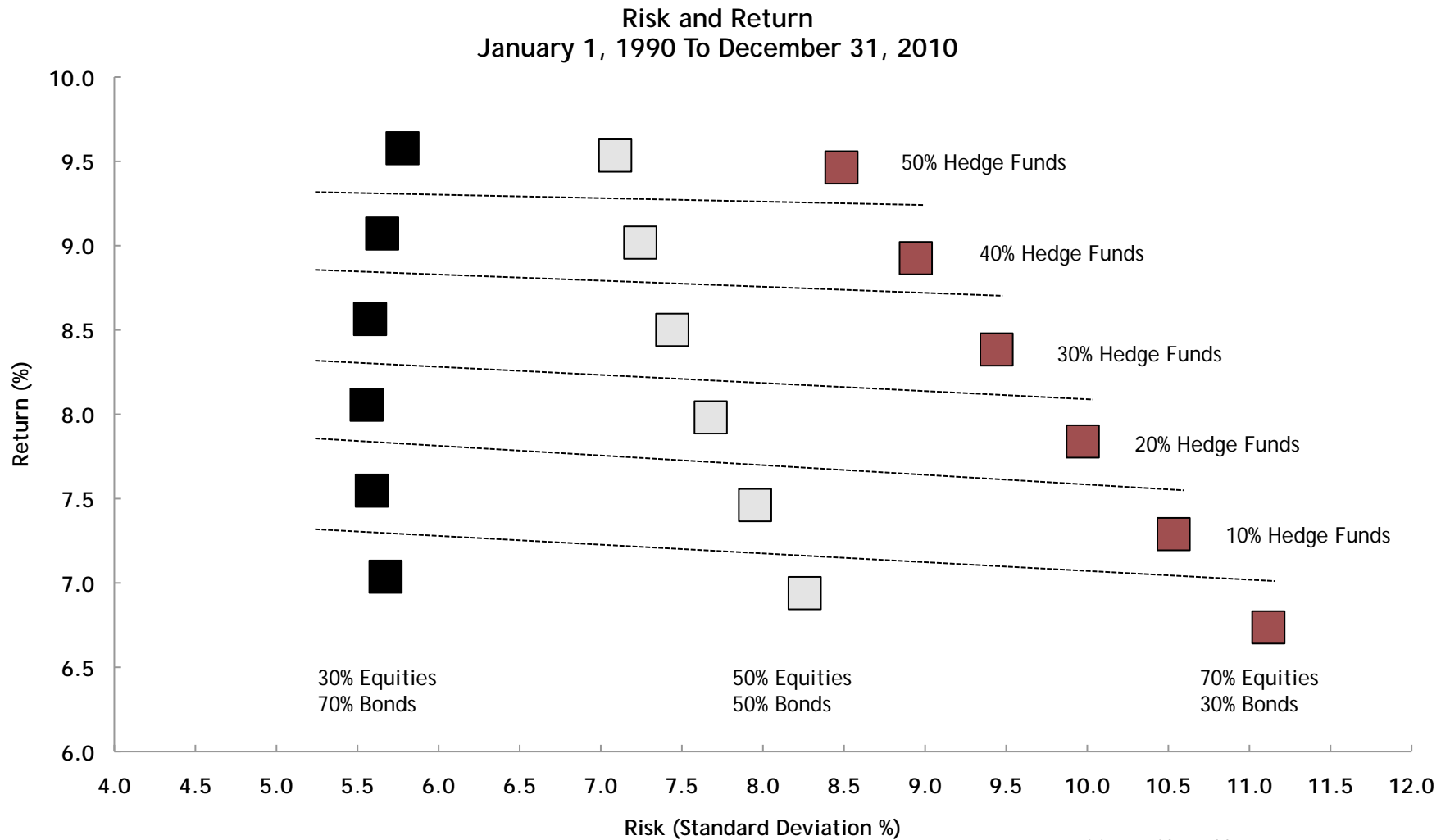
Investment Considerations

Investment Risks	Operational Issues
<p>Leverage</p> <p>Leverage can enhance both return and risk.</p>	<p>Limited Partnerships</p> <p>Assets under the control of the general partner</p>
<p>Shorting</p> <p>Short positions have theoretically unlimited downside and can face “short squeezes”</p>	<p>Transparency</p> <p>Difficult to obtain timely and detailed security level information from hedge funds</p>
<p>Derivatives</p> <p>Derivatives can introduce embedded leverage, complexity, and counter-party risk</p>	<p>Liquidity</p> <p>Redemptions typically available at monthly, quarterly or less frequent intervals</p>
<p>Complexity</p> <p>Hedging requirements can make strategies complex to manage and execute</p>	<p>Minimums</p> <p>Minimums generally \$1m or greater</p>
<p>Capacity</p> <p>Capacity limitations can impair strategy returns beyond certain asset levels</p>	<p>Fraud</p> <p>Hedge funds subject to limited regulatory oversight</p>

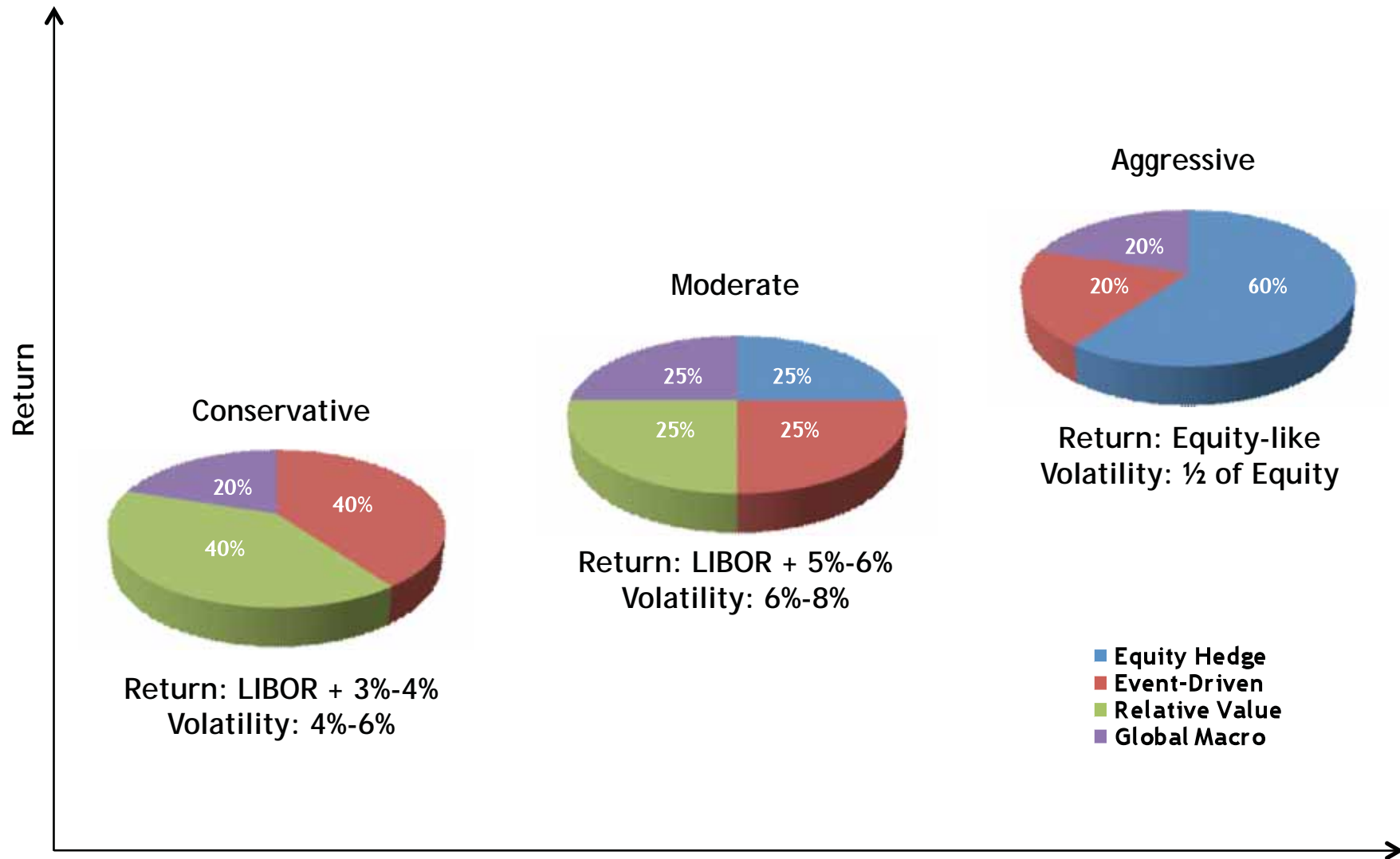
HEDGE FUND PORTFOLIO STRUCTURING

Investor Type	Total Portfolio	Hedge Fund Portfolio
<p>Conservative</p> <p>Focus on capital preservation and income generation</p>	<p>30% Equities 70% Bonds</p>	<p>Low Correlation Credit-focused</p>
<p>Moderate</p> <p>Focus on capital preservation with upside potential</p>	<p>50% Equities 50% Bonds</p>	<p>Broadly Diversified</p>
<p>Aggressive</p> <p>Focus on capital growth at an above average rate</p>	<p>70% Equities 30% Bonds</p>	<p>Equity-focused</p>

Adding Hedge Funds into a Traditional Asset Mix



Strategy Allocation Targets



Strategy Allocation Examples

Investor Objective	Equity Hedge	Event Driven	Relative Value	Global Macro	Jan. 1990 - Dec. 2010		
					Return	Risk	Sharpe Ratio
Credit/Rates Focused	-	40%	40%	20%	12.1%	5.2%	1.51
Broadly Diversified	25%	25%	25%	25%	12.8%	6.0%	1.43
Equity Focused	60%	20%	-	20%	13.7%	7.7%	1.23
Non-Correlated/Macro Focused	-	20%	20%	60%	12.9%	5.9%	1.45

RCAI STRATEGY SPECIFIC PROGRAM

AN IMPLEMENTABLE ALTERNATIVE INVESTMENT SOLUTION

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Rogerscasey Strategy Specific Program Overview

A fully integrated program designed for wealthy individuals and smaller institutions to execute hard to implement alternative investment strategies.

The Strategy Specific Program is designed to offer:

- *Access*: institutional quality investment strategies at acceptable minimums
- *Due Diligence*: institutional-quality manager selection and monitoring
- *Diversification*: a minimum of four hedge funds per strategy
- *Customization*: strategy allocations tailored to specific client needs
- *Operational Controls*: legal, accounting, tax, & reporting
- *Independence*: hedge fund selection based solely on Rogerscasey's independent manager research

Issues with Hedge Fund Investing

Individual investors face two major hurdles investing in hedge funds:

High Minimums

- Hedge funds typically have minimums of \$1 million or more per fund; of the 22 managers included in the Strategy Specific Program, 10 have minimums above \$5 million
- High minimums make it difficult to construct a diversified hedge fund program with less than \$20 million

Rigorous Due Diligence Requirements

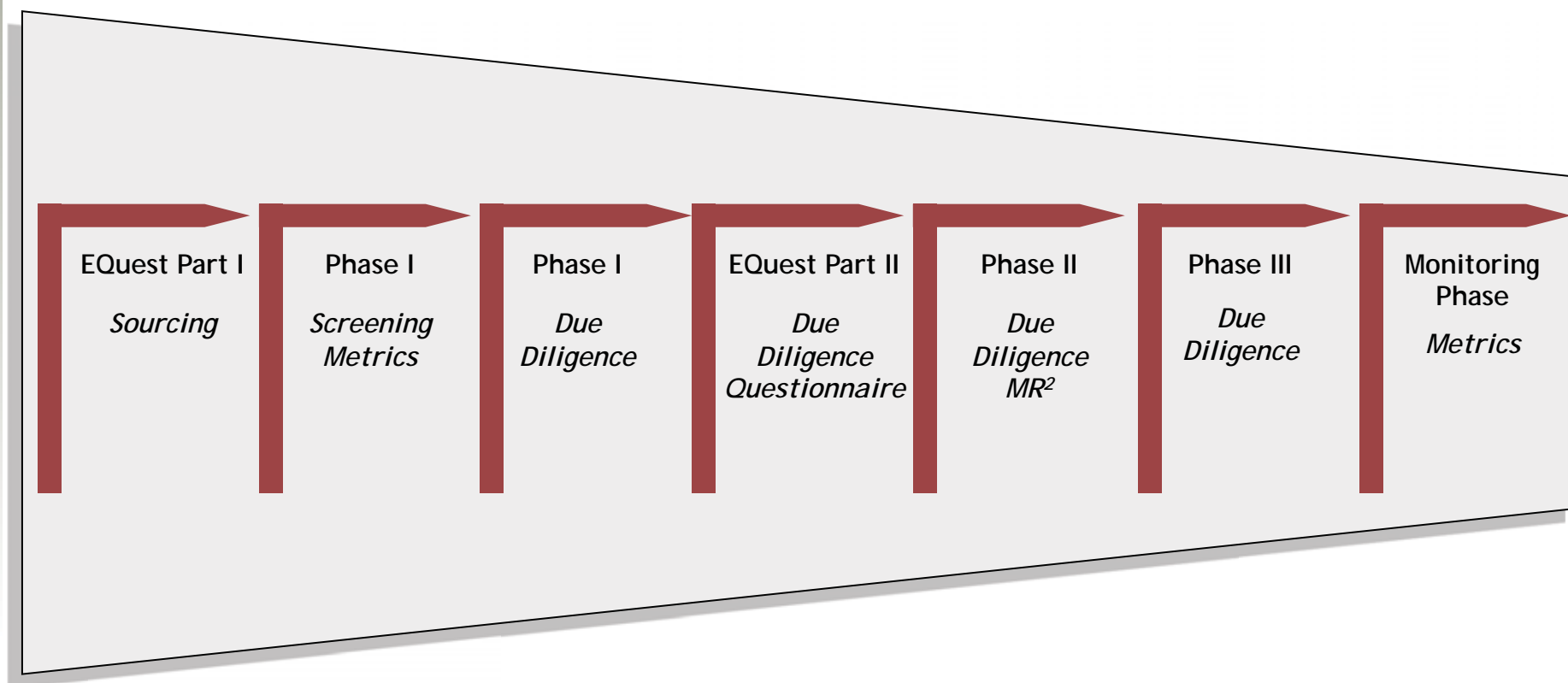
- Investing in hedge funds requires the resources to conduct in-depth initial due diligence and rigorous ongoing monitoring
- Hedge fund failures can be investment-related (LTCM, Amaranth), fraudulent (Madoff), or due to regulatory infractions (Galleon)

The RCAI Strategy Specific Program provides access to a diversified set of institutional quality hedge funds, researched and monitored by Rogerscasey, at an acceptable minimum

- At least 4 hedge funds per strategy; 22 managers currently in the program
- All managers Buy-rated and monitored by Rogerscasey research
- \$500,000 minimum per strategy

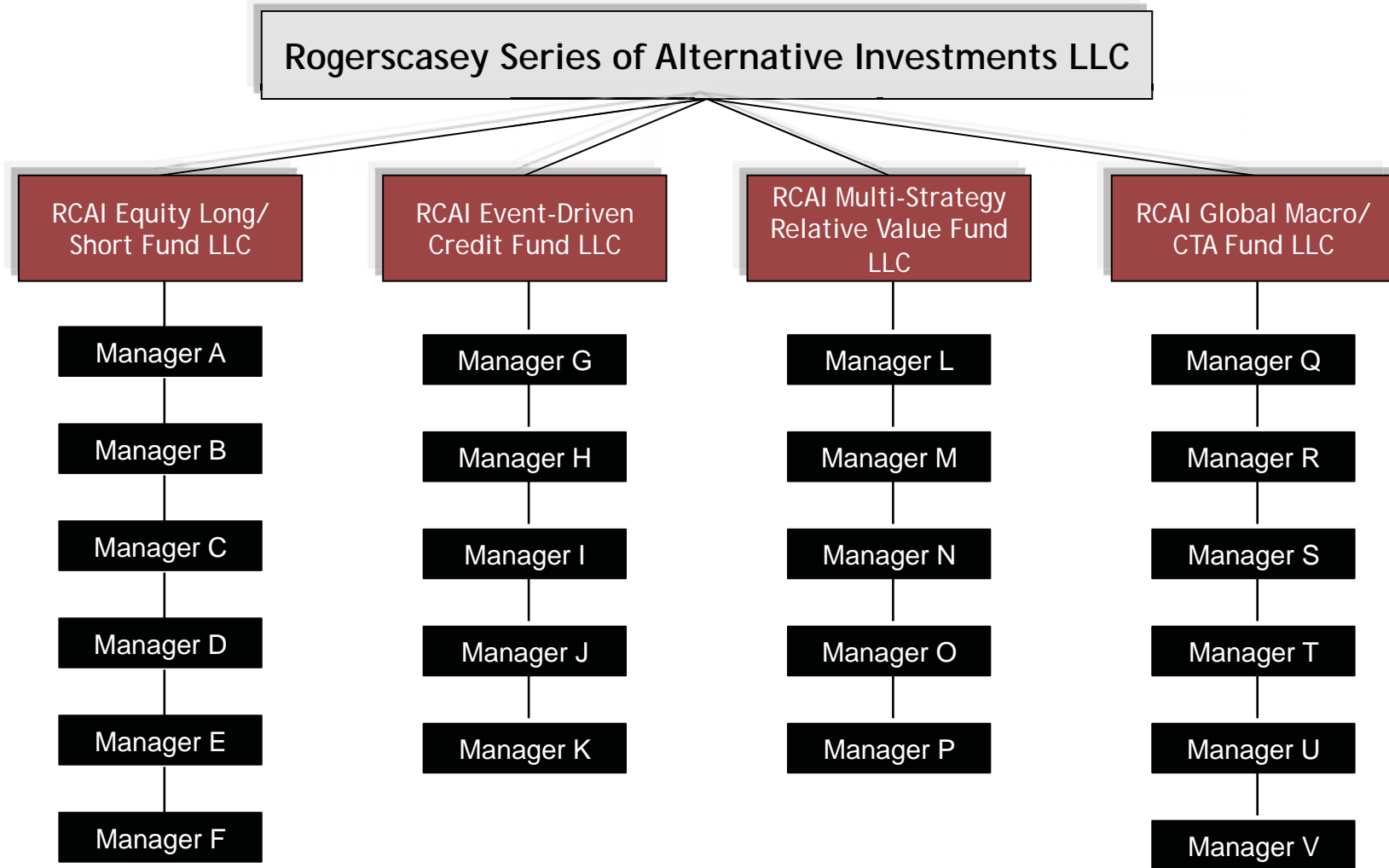
Due Diligence: Rogerscasey Hedge Fund Research Process

- Rogerscasey's proprietary research process is designed to source, analyze, and monitor institutional-quality hedge funds.
- Only hedge funds BUY-rated through Rogerscasey's institutional quality manager research process can be included in the RCAI Strategy Specific Program.



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Overview of Fund Structure



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RCAI Equity Long/Short Fund LLC

Designed to benefit from diversified investments across a number of equity long/short managers to take advantage of different style, sector, market capitalization and geographic exposures.

	Date Established	Firm Assets	Strategy Description	Stated Minimum
Manager A	2005	\$1.1B	Directional equity long/short which monitors gross and net exposures by industry and region	\$1M
Manager B	2000	\$2.5B	Long/short focused on mid and large cap opportunities in North America and Western Europe	\$1M
Manager C	1993	\$12.0B	Balanced approach to long and short equity investing with portfolio construction on a bottom-up basis and performance driven by long and short security selection	\$2M
Manager D	2002	\$8.5B	Private equity approach to long/short investing, extensive research, 2 year time horizon	\$5M
Manager E	2002	\$1.8B	Long/short portfolio based on fundamental stock picking, macro trends, and opportunistic trading	\$1M
Manager F	2000	\$3.1B	Diversified long/short portfolio constructed through fundamental stock and sector research	\$10M

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RCAI Event-Driven Credit Fund LLC

Designed to benefit from diversified investments in event driven strategies, including long/short credit, distressed, capital structure arbitrage, merger arbitrage, and special situations.

	Date Established	Firm Assets	Strategy Description	Stated Minimum
Manager G	1994	\$33.6B	Provide maximum capital appreciation via an array of strategies including event driven, merger arbitrage, distressed securities, etc.	\$10M
Manager H	1999	\$9.4B	Focus on companies undergoing some form of transformation to their businesses or capital structures	\$1M
Manager I	1991	\$14.6B	Value and event-oriented focusing on securities which benefit from extraordinary transactions	\$10M
Manager J	1983	\$14.6B	Portfolio focuses on securities of issuers that are subject of proposed changes in corporate structure or control	\$3M
Manager K	1995	\$5.0B	Diversified long/short portfolio constructed through fundamental stock and sector research	\$10M

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RCAI Multi-Strategy Relative Value Fund LLC

Designed to benefit from diversified investments across a number of multi-strategy managers to take advantage of different underlying styles and strategies.

	Date Established	Firm Assets	Strategy Description	Stated Minimum
Manager L	1993	\$6.0B	Multi-strategy, multi-asset, non-directional approach in global equity and debt markets with an industry focus	\$1M
Manager M	1988	\$14.0B	Global investment and technology firm focused on achieving risk-adjusted returns through multi-disciplinary approach	\$5M
Manager N	2000	\$4.5B	Generates risk-adjusted absolute returns with low correlation to broad equity and fixed income markets	\$5M
Manager O	2000	\$6.4B	Extracts alpha from the market employing a broad array of sub-strategies, to realize high risk adjusted returns with low market correlation, maintaining primary emphasis on preservation of capital	\$5M
Manager P	1992	\$20.0B	Multi-strategy, diversified approach that seeks to hedge significant market risks, including interest rates, currency, stock, and credit exposures.	\$10M

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RCAI Global Macro/CTA Fund LLC

Designed to benefit from price movements within global stock markets, interest rates, foreign exchanges and commodities, with managers employing both discretionary and systematic trading approaches across different time horizons.

	Date Established	Firm Assets	Strategy Description	Stated Minimum
Manager Q	2002	\$31.9B	Global macro relative value manager with exposure predominantly in global fixed income and foreign exchange markets	\$20M
Manager R	1994	\$6.1B	Utilizes proprietary quantitative models across varying time horizons and markets including interest rates, foreign exchange, global stock indices and commodities	\$3M
Manager S	2000	\$4.5B	Diversified, multi-strategy trading program running five different strategies	\$1M
Manager T	2000	\$24.6B	Combines quantitative valuation models with fundamental economic analysis to attempt to arbitrage price anomalies in the derivative markets	\$1M
Manager U	2005	\$11.6B	Blends technical and fundamental data together with short, medium and long-term trading frequencies	\$3M

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Operations: Legal Requirements and Terms

Legal Vehicle Type	Delaware LLC
Minimum Investment	\$500,000
Investor Requirements	3(c)-7 Fund for qualified purchaser
Liquidity	Quarterly liquidity with 95 days notice
Lock Up	1 year (3% penalty for redemption in year 1)
Fees	Rogerscasey management fee of 100 bps in addition to subadvisory fees (range of 1.5%/20% to 2.5%/25% of outperformance)
Other Expenses	Fund administration and custody, audit and tax, legal (43 - 48 bps)
Fund Administration	The Bank of New York Mellon
Legal Counsel	Morgan Lewis
Certified Public Accountants	Ernst & Young

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Operations: Legal Requirements and Terms (continued)

- Funds Structure
 - The funds are set up as Delaware registered Limited Liability Companies. They are 3(c)-7 entities requiring the investors to be qualified purchasers.
- Fund Documentation
 - There is one private placement memorandum which outlines the general information for the funds. However, each fund has its own operating agreement detailing the specific terms of the fund including but not limited to investment style, management fee, lock-ups, minimum subscriptions, and redemption terms. There is one subscription document that lists all the funds and the client will choose which funds they wish to invest in.
- Service Providers
 - Ernst & Young is the funds' auditor and tax accountant. Rogerscasey employs a fund administrator, BNY Mellon, to handle the investor registration process, subscriptions and redemptions, calculation of the net asset values of the funds, and reporting to the investors.

Two Levels of Independence:

- Transparent Fees
 - Research should be independent with no conflicts
 - Rogerscasey is independent and not compensated, in any form, by any of the underlying managers
 - There are no:
 - Brokerage relationships¹
 - 'Pay to Play' Arrangements

AND

- Competition
 - Program manager should be independent of your clients
 - We serve you, the wealth manager, and have no interest in competing for your clients

¹ *RCAI Funds are offered through Capital Resource Financial Services, LLC (CRFS), an organization that shares common ownership with Rogerscasey, Inc. The Strategy Specific Funds are not paying and are under no obligation to pay CRFS a commission or any other remuneration for its sales efforts. CRFS is a registered broker dealer and is a member of FINRA and SIPC.*

RCAI Funds - Risk Considerations

Investors should carefully consider the Private Placement Memorandum and related offering materials prior to investing in the RCAI funds or any hedge funds. These materials outline the potential risks associated with investment in RCAI funds, including but not limited to:

- **Limited operating history of the funds:** The funds were established in 2009;
- **Illiquid investments/withdrawals:** there is no secondary market for ownership interests in the RCAI funds, and withdrawal notices must be given at least 95 days in advance of liquidation and are subject to a 3% penalty for redemptions in the first year;
- **Unregistered funds:** The funds are private vehicles and not subject to the provisions of the 1940 Act of the SEC;
- **Liability of members for return of capital:** investors in the RCAI funds are subject to investment risk, where their investment may lose value;
- **Use of Sub-Funds:** The RCAI funds invest in private, commingled hedge funds, which are selected based upon the research and diligence of Rogerscasey, Inc. as the Advisor to the RCAI funds;
- **Impact of investment in Sub-Funds:** Rogerscasey monitors the investment in underlying hedge funds. However, Rogerscasey does not control the activities of the underlying hedge fund investments. The underlying hedge fund investments are not registered with the SEC;
- **Valuation:** RCAI funds are valued based upon the valuation of positions of underlying hedge funds. As such, RCAI funds are dependent on underlying hedge funds for accurate valuations.



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