

**TAKE A CLOSER LOOK**

**INSIGHTS INTO**

**COMMONFUND'S**

**ACTIVE, INDEX-PLUS**

**APPROACH TO**

**COMMODITY INVESTING**



COMMONFUND OFFERS A LIQUID, INDEX-PLUS INVESTMENT STRATEGY THAT SEEKS TO PROVIDE BROAD MARKET EXPOSURE TO COMMODITIES WITH TARGET OUTPERFORMANCE OF 100–300 BASIS POINTS OVER THE DOW JONES-UBS COMMODITY INDEX TOTAL RETURN BENCHMARK. FOR QUALIFIED OR ACCREDITED INSTITUTIONAL INVESTORS, TWO DIFFERENT FUNDS OFFER THE BENEFIT OF COMMODITY BETA EXPOSURE AND THE POTENTIAL FOR EXCESS RETURN FROM ACTIVE COMMODITY AND COLLATERAL MANAGEMENT.

*commonfund*

# LOOK TO COMMONFUND FOR A DIVERSIFIED APPROACH TO PURSUING BROAD COMMODITY SECTOR BETA

## OUR APPROACH IS BUILT ON AN INDEX-PLUS STRATEGY

Commonfund's approach to investing in commodities is built on an index-plus strategy that employs both quantitative and fundamental analysis. Our approach offers a number of benefits, starting with exposure to underlying commodities but also offering the potential to generate excess return through active management of commodity positions and underlying cash collateral. Most importantly, we seek to deliver broad commodity sector beta to clients seeking diversified commodities exposure.

Our objective is to generate outperformance with low tracking error relative to the fund's benchmark, the Dow Jones-UBS Commodity Index Total Return. Moreover, we look to preserve capital of the fund's cash collateral by investing principally in low volatility strategies, including low duration, high quality enhanced cash and TIPS.

In actively managing commodity exposure, we seek outperformance by utilizing three levers versus the benchmark:

- > Sector exposure
- > Individual commodity exposure
- > Futures curve positioning

**Sector exposure** We actively under- or overweight sector exposures (e.g., energy, meats, grains, softs, precious metals and/or base metals) relative to the benchmark based on our market point of view and external fundamental research. Sector weightings are capped to maintain a low benchmark tracking error.

### Individual commodities exposure

Within sectors we also actively under- or overweight specific commodities (e.g., within grains we under- or overweight corn, wheat, soybeans and soybean oil) relative to the benchmark to take advantage of pricing anomalies and specific market conditions. Relative commodity exposure is capped to maintain a low benchmark tracking error.

**Futures curve positioning** We actively manage futures contract roll dates in order to take advantage of the positioning of the commodities curve. Depending on our market outlook and the position of the curve, we can vary the timing of contract rolls from the benchmark, specifically deferring or moving up contract rolls to take advantage of pricing differences in current and forward contracts.

## COMMONFUND INVESTS IN COMMODITIES BUT OUR FOCUS IS ON THE INVESTOR

In addition to offering the benefits of investing in commodities, Commonfund offers investment flexibility as well as strong risk management, controls and reporting.

### Investment flexibility

- > Liquid investment to facilitate portfolio rebalancing among your other less liquid real asset strategies
- > Monthly offering and redemption periods
- > Low investment minimums

### Strong risk management and oversight

- > Daily pricing of positions
- > Independent assessment of counterparty exposures (and strict underwriting criteria that restrict counterparties to highest credit quality)
- > Portfolio constraints to limit tracking error
- > High quality, liquid collateral with average AA+ rating
- > Excellent transparency for investors provided by comprehensive attribution analysis of portfolio performance

## INVEST WITH AN EXPERIENCED PORTFOLIO TEAM

Commonfund has invested in commodities since 2005. A core team of three investment professionals with a combined experience of three decades of commodities investing leads the group. (Please see their biographies on the back page.) Commodity research is further supported by Commonfund Chief Economist and Chief Investment Strategist Michael Strauss with the full support of the broad Commonfund Asset Management Company team.

## A RECORD OF STRONG PERFORMANCE PLUS LOW FEES AND ALIGNED INTERESTS

Commonfund has an established performance record of commodities investing. *(Of course, past performance does not guarantee future success.)* With an average expense ratio of 50–100 basis points for our funds, our fees are generally below those of comparable funds.

### Active management versus index investing

Passive commodity investing consists of a series of futures contracts tied to the weights of a particular index. Investors buy a contract and then, as it approaches expiration, they sell that contract and purchase the next contract, ideally earning a return on the contract roll. With passive investing, contracts in the index roll every two months between the fifth and ninth business days. In active investing, the weights of contracts versus the benchmark are varied and the timing of contract rolls is managed to take advantage of the dynamic positioning of commodities curves.

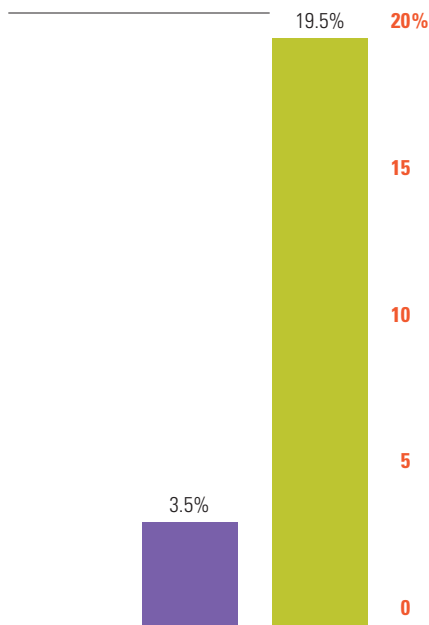
### The portfolio benefits of investing in commodities

Historically, commodities exhibit positive correlations with inflation but low or negative correlations with fixed income, equities and the U.S. dollar. These attributes make them an excellent hedge against rising prices and allow them to serve as a strong portfolio diversifier. For institutional investors required to fund liabilities that are sensitive to inflation, commodities can lessen the volatility and mismatch of asset returns and portfolio distributions.

## HISTORICALLY COMMODITIES PERFORM WELL COMPARED TO STOCKS AND BONDS DURING PERIODS OF UNANTICIPATED INFLATION

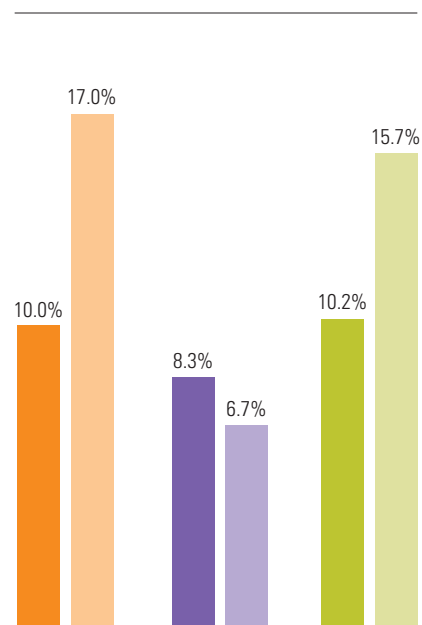
### Annualized Return During Periods of Unanticipated Inflation

January 1970–June 2011



### Asset Class Return and Volatility Comparisons

January 1970–June 2011



-0.2%

Stocks

Bonds

Commodities

Stocks

Bonds

Commodities

■ ■ ■ Annualized Rate of Return  
■ ■ ■ Annualized Volatility

**Note** Commodities, equities, bond returns and volatility are represented by the DJ-UBSTR, S&P 500 and Barclays Aggregate Indices. Unanticipated inflation is defined as periods when seasonally adjusted quarterly CPI is greater than the 3-month T-Bill for that quarter.

## INVEST WITH AN EXPERIENCED, KNOWLEDGEABLE COMMODITIES TEAM

**Alec C. Rapaport**, Managing Director, Head of Fixed Income and Commodities, oversees all aspects of the fixed income, credit and commodities investment programs including investment strategy, portfolio management, due diligence and manager selection. Prior to joining Commonfund in 2000, he was Director of Fixed Income and Currency Research at Evaluation Associates, an investment consulting firm. He received his A.B. in economics from Vassar College and his M.B.A.

in finance with a concentration in international studies from New York University's Stern School of Business.

**Tyler S. Stevens**, Managing Director, joined Commonfund in 2005. He shares responsibility for fund structure, portfolio research and analysis, manager identification, due diligence, and investment monitoring. Prior to joining Commonfund, he had 15 years of trading experience in commodities, foreign exchange and fixed income derivatives for Louis Dreyfus and JP Morgan. He received his B.A. in economics and sociology from Northwestern University and his M.B.A. in finance and organizational behavior

from Northwestern's Kellogg School of Management.

**Ivo C. Nenin**, CFA, Director, serves as a commodity analyst supporting the CFI Multi-Strategy Commodities Fund. Prior to joining the fixed income and commodities team, he worked in Commonfund's Fund Accounting Analytics Department for two and one-half years, focusing on valuation and reporting for the Commodities and Domestic and International Equity Funds. He received his B.S. in finance and accounting from the University of Bridgeport and is a CFA charterholder.

### About Commonfund

Commonfund is an investment management organization focused exclusively on solutions for institutional investors, and unique in the way we define and implement our mission.

This mission—which has remained consistent over many years—is to enhance the financial resources of long-term institutional investors and to help elevate investment management practices throughout the industry.

What truly differentiates Commonfund is the way in which we execute our mission. Every day, we put our mission into practice for the benefit of our clients in three ways. We strive to:

- 1 Deliver superior fund management and thoughtful investment advice to strengthen client financial resources.
- 2 Provide unsurpassed service and support to every client organization.
- 3 Broaden and deepen insight among institutional investors in order for them to make informed investment and governance decisions.

Commonfund manages approximately \$27 billion in assets for endowments and foundations, pension funds and other institutional investors.

Performance cannot be guaranteed. Past results may not be indicative of future performance. Returns on investment funds will fluctuate, and investors could lose money on their investments in any Commonfund funds, just as they could with other investments.

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