EQUINOX INSTITUTIONAL ASSET MANAGEMENT

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Since 2003, Equinox has worked with asset managers to build better investment portfolios using investments that have expressed very low correlations to equity and fixed income securities, especially during times of market stress.

A straightforward question highlights the biggest impediment we've encountered to building markedly superior portfolios:

?

Which investments should I sell (or which investment opportunity should I forgo) to maintain a meaningful exposure to alternative investments?

This challenging question inspired the formation of Ampersand Portfolio Solutions. We believe that the best way to manage a portfolio is to add to it.

Equinox manages more than $2b in assets (as of 12/31/2016). We partner with leading financial institutions to help forward-thinking money managers build unparalleled investment portfolios for their clients.

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Limiting Diversification to Two Risks:

Diversification is the only proven pathway to higher returns without greater risk. It's the only free lunch for investors. Unfortunately, most investors do not enjoy the benefits of diversification; instead:

- Diversification is often limited to mitigating the idiosyncratic risks of stocks and bonds, which fails to significantly dampen equity market risk.
- Risk is managed through asset allocation (increasing or decreasing equity exposure) rather than by employing an efficient portfolio.

The result is excessive equity risk, even when equity dollar exposure is as low as 40%.

Limiting Portfolios to Stocks & Bonds – A Race To The Bottom

Limiting asset allocation to stocks and bonds is also a game of scale that Vanguard and other large, low-cost providers are winning.

Fewer than 10% of "Moderately Aggressive" balanced allocation mutual funds beat the "60/40" benchmark. Aiming to overcome the economies of scale advantage of low-cost competitors through security selection and/or attempts to time the market is proving to be an outcome few can achieve.

	Common Balanced Allocations		
	Moderately Aggressive	Moderate	Moderately Conservative
Total US Stock Market	80%	60%	40%
Total US Bond Market	20%	40%	60%
CAGR (1/1/78 -12/31/16)	9.4%	8.8%	8.0%
Standard Deviation	12.4%	9.4%	6.7%
Max Drawdown	-41.2%	-30.7%	-19.4%
Sharpe Ratio	0.54	0.61	0.71
Sortino Ratio	0.77	0.88	1.07
Risk Decomposition			
Equities	99.2%	96.1%	85.7%
Bonds	0.8%	3.9%	14.3%

Our Solution: The Power of "&"

Q. Which investments should I sell to diversify effectively?

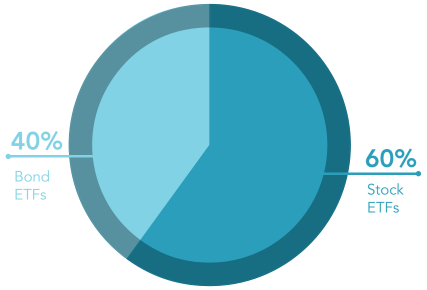
A. Don't sell any

The **Compound Annual Growth Rate (CAGR)** is a measure of growth over multiple time periods that can be thought of as the growth rate that gets you from the initial investment value to the ending investment value if you assume that the investment has been compounding over the time period.

Source: Portfolio Visualizer, Silicon Cloud Technologies

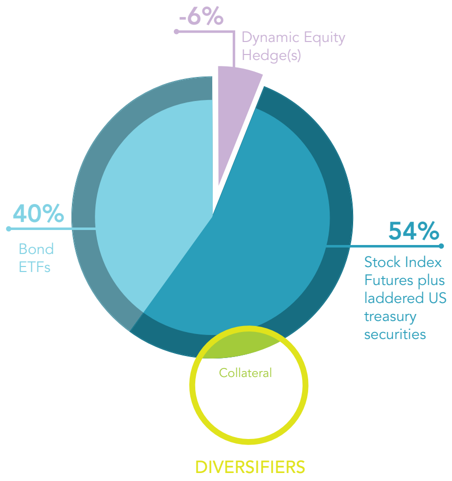
We believe AND is superior to OR.

Equinox's overlay approach maintains core equity exposure, but provides diversifies, hedges, and incremental return potential.



Moderate Balanced Portfolio

Expected Return*	Expected Volatility*
7.2%	9.3%



Ampersand Portfolio Solutions

Expected Return*	Expected Volatility*
10.4%	9.8%

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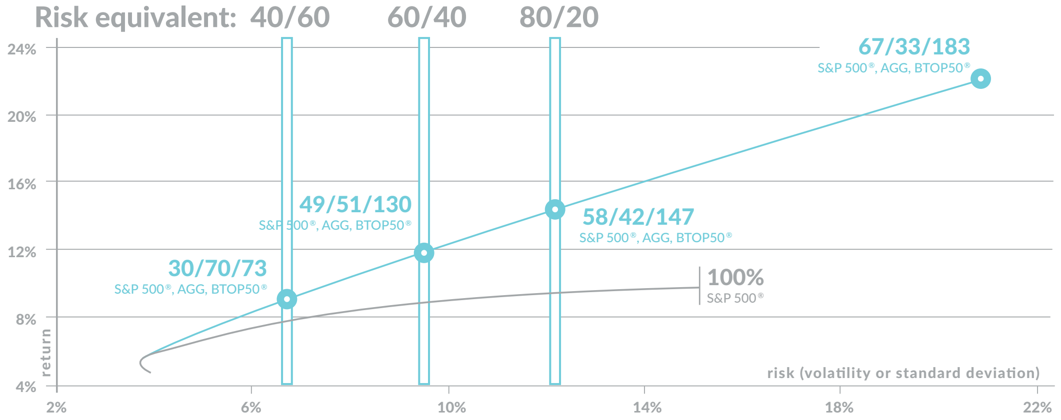
Assumptions	Expected Returns*	Expected Volatility*
Equities	10%	15%
Fixed-Income	3%	3%
CTAs	3%	6%
Hedge	2%	8%

Despite the slightly higher volatility, the Ampersand Portfolio Solution is expected to have much lower drawdowns.

Here's an illustration of adding an overlay that provides managed futures exposure (using the BTOP50® Index as a proxy) to various stocks/bond portfolios.

Risk and Return of Traditional and "&" Stock/Bond/Alts Portfolios, 1987-2016



No amount of diversification or correlation can ensure profits or prevent losses. An investment in managed futures is speculative and involves a high degree of risk. Investors can lose money in a managed futures program. There is no guarantee that an investment inmanaged futures will achieve its objectives, goals, generate positive returns, or avoid losses.

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Our Process

Equinox Institutional Asset Management collaborates with select asset managers to construct an Ampersand Portfolio Strategy designed to complement their current asset allocation expertise. Our process includes first analyzing the current investment objective and strategy of the fund or portfolio. We then design an alternative asset overlay to augment the underlying portfolio of traditional assets with the intention of increasing returns with broader diversification—all within the stated risk parameters of the investment manager.

Equinox currently utilizes a similar structure in numerous mutual funds, and therefore we have established relationships with large international banks that are appointed to create the overlay instrument. Using securities as collateral, the bank offers an OTC instrument (usually a Total Return Swap), that does not require funding. We do not serve as sub-advisor to this strategy, rather our fee is paid via the reference asset of the overlay instrument, not by the advisor to the Fund. Moreover, our fees are based solely on adding value to the existing portfolio.

Equinox Institutional Asset Management, LP
47 Hulfish Street, Suite 510, Princeton, NJ 0854
T 1.877.837.0600 equinoxampersand.com