



Overview

EMC is an alternative asset investment management firm that enjoys one of the longest running positive performance records in managed futures. EMC's flagship program, EMC Classic, has achieved an average annual compounded rate of return of more than 22% over 25 years. Assets under management exceed \$200 million.

One of the longest
running positive
performance records
in managed futures.

Investment Strategy

EMC employs technical, systematic investment strategies in a broadly diversified portfolio that includes stock indices, currencies, cross-rates, financial instruments, precious metals, base metals, agriculturals, meats, energies, and soft commodities. EMC's portfolio features a significant 40% allocation to physical commodities. EMC's Trading Desk is active 24 hours per day, tracking more than one hundred markets around the globe and investing in over eighty.

EMC currently offers two distinct investment programs: EMC Classic and the EMC Currency Program. Both programs feature the same investment style and low-to-negative correlation to traditional asset classes and hedge funds. The Classic Program trades a diversified portfolio of over eighty markets across ten sectors, while the Currency Program employs EMC's trading methodology across twenty-three world currencies.

History

EMC was incorporated in 1988 by Elizabeth Cheval, its founder and Chairman. After completing her academic studies in Mathematics, Ms. Cheval started her career on the exchange floor of the Chicago Board of Trade. In 1984, she joined an elite group selected to participate in a unique investment management training program offered by C&D Commodities and its founder, Mr. Richard Dennis.

Over the past 25 years, EMC has evolved into one of the premier managers in its class. Today EMC manages a broadly diversified global portfolio according to its proprietary investment strategies. Strategies are developed and continually refined through EMC's PhD level research program. EMC's long term success is built on the company's

- Commitment to disciplined risk management
- Over 80 years combined market experience
- Focus on proprietary research and development
- Highest standards in client service

History

EMC was incorporated in 1988 by Elizabeth Cheval, its founder and current Chairman. Soon after completing her academic studies in Mathematics, Ms. Cheval started her career in managed futures on the trading floor at The Chicago Board of Trade in 1982. Ms. Cheval began her training in investment management and research in 1984 through a unique program offered by C&D Commodities and its founder, Mr. Richard Dennis.

*By far,
the best proof
is experience.
-Sir Francis Bacon*

Mr. Dennis was a highly successful floor trader who achieved legendary status in managed futures by developing the first successful off-floor systematic commodity trading models in the late 1970's. In 1984, Mr. Dennis hired an elite group of investment managers to undergo training in his strategy and subsequently manage his personal portfolio. The selection process was highly competitive and Ms. Cheval was among the few chosen. Ms. Cheval traded successfully for Mr. Dennis until the mentor program disbanded in 1988. EMC was established in May of 1988.

Since inception, EMC has focused on refining its trading strategy and building an effective research infrastructure. In 1994, under the guidance of Jon Trowbridge, Director of Research, PhD abd, University of Chicago, EMC initiated a two-year project to completely redesign and rebuild its research model, trading systems, trading platform and analytic tools. This resulted in dramatic improvements to its investment model and ability to provide investment vehicles to new market segments.

In October 2006, EMC opened its Currency Program. The Currency Program trades twenty-three global currency markets using the same methodology that the EMC Classic Program has employed for over more than two decades. It offers clients a risk/return profile similar to the Classic Program.

Over the past 25 years, EMC has evolved into one of the premier managers in its class. Today EMC manages a broadly diversified global portfolio based on its proprietary investment strategies. EMC's long term success is built on the company's:

- Commitment to disciplined risk management
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Investment Strategy

EMC's investment strategy is built on the core concept of Modern Portfolio Theory, diversification.

Diversification means much more than don't put all of your eggs in one basket. Its application in Modern Portfolio Theory is complex and powerful. Through understanding the mathematical components of Modern Portfolio Theory, specifically through our expertise in correlation studies, EMC captures the power of these Nobel Prize winning ideas in its Investment Strategy.

Diversification is
the most powerful
risk management
tool available.

The Portfolio

EMC applies diversification at the portfolio level by investing in over eighty futures and forwards markets that include stock indices, currencies, cross-rates, financial instruments, metals, agriculturals, meats, energies and soft commodities. These markets provide:

- Diversification across multiple consumer, manufacturing and industrial sectors
- Access to every major financial center around the globe
- 40% allocation to physical commodities

Systems

EMC incorporates diversification in the design of its systems:

- Each system is based on an independent concept of market behavior
- Systems are strategically added for non-correlation
- Systems are further diversified across multiple time frames
- System concepts are unique and proprietary to EMC

Each system produces unique risk/return characteristics and is used to generate a specific effect in individual investment programs.

Investment Model

EMC employs a systematic technical model for investment. Trade activity is generated by integrating live price data from the portfolio's over eighty markets with each system's specific parameters. EMC harnesses the benefits of diversification in the model by strategically blending multiple independent and non-correlated systems.

Benefits of Blending

- Blending independent and non-correlated systems reduces volatility and improves risk adjusted returns.
- The risk adjusted return of the blend is superior to the risk adjusted return of each individual system within the blend.
- Blending provides the capability to design investment programs with unique risk/return characteristics.



Investment Program Profiles

EMC currently offers two distinct investment programs: EMC Classic and the EMC Currency Program. Both programs feature the same investment style and low-to-negative correlation to traditional asset classes and hedge funds. The Classic Program trades a diversified portfolio of over eighty markets across ten sectors, while the Currency Program employs EMC's trading methodology across twenty-three world currencies.

EMC Classic

- EMC Classic targets high returns in favorable market periods, with the commensurate long-term volatility.
- The specific blend of systems in the Classic Program is weighted toward long-term trend following and momentum systems with risk management components used to mitigate volatility.
- The Classic Program, EMC's flagship investment program, has managed client funds since January 1, 1985.

EMC Currencies

- The Currency Program applies the same methodology that EMC Classic has successfully employed for decades to a smaller portfolio consisting of twenty-three diversified world currencies.
- Although it primarily maintains EMC's long-term trend following philosophy, the Currency Program also utilizes a number of different trading systems than the Classic Program.
- The Currency Program began trading client funds in October 2006.

Note: EMC made significant enhancements to the Classic Program in July of 1996. The net effect of these enhancements was to maintain the historical upside potential while at the same time reducing the expected drawdown levels and volatility by approximately one-half. Thus, volatility patterns of the Program since July of 1996 are most representative of what prospective investors might expect in the future.

Past Performance is not necessarily indicative of future results.
Futures trading is always subject to the risk of loss.



Managing Risk

Disciplined risk management is the foundation of EMC's long term success. Our expertise in risk management derives from:

- Over 100 years combined market experience
- Diversification at every level throughout the investment model
- Strict quantitative risk controls under all market conditions

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Experience

Since 1985, EMC has successfully managed investments through sweeping changes in the broader markets, including the creation of financial futures, the globalization of futures markets, and historic moves in equities, fixed income and physical commodities. EMC staff has invaluable real-time experience managing funds across a spectrum of specific market conditions as well, including every acute market crisis over the past twenty-four years.

Diversification

Diversification is the most effective risk management tool available. EMC employs diversification at every level possible in its investment strategy.

- The portfolio is diversified across ten market sectors and over eighty individual markets.
- Investment strategies are diversified across multiple, independent and non-correlated systems.
- Systems are diversified across independent concepts and multiple time frames.

Quantitative Risk Models

EMC's proprietary risk management models are designed to produce specific risk/return profiles. Risk management is applied to individual accounts according to their actual performance and any specific risk limits preferred by the Client. Risk management limits are continually adjusted as an account incurs profits or losses.

EMC adheres to strict quantitative risk controls at every level in the strategy, including:

- Standard risk units based on a proprietary volatility model
- Market, sector and portfolio level risk limits
- Permanent hard stops for all new positions
- Secondary protective orders for all existing positions



Research

Knowledge is the best investment. In the financial community, knowledge drives success. Since inception, EMC has invested in the pursuit of knowledge through its advanced research program.

EMC's proprietary research platform generates hypothetical track records that incorporate every aspect of EMC's actual trading programs. The platform integrates multiple trading systems and system-level risk controls with an overlay of portfolio level risk management across EMC's diverse portfolio of over eighty markets. Capabilities include:

Knowledge is
the best investment.
Benjamin Franklin

- Forward looking, out of sample system optimizations
- Genetic optimizations of system parameters to robust performing targets
- Automated distribution of optimizations across scalable processing cluster
- Portfolio level risk overlays to maximize utility of returns

Uniqueness

The core strength of EMC's research platform is the ability to create hypothetical results that reliably reproduce EMC's actual approach to trading. The research platform has been expanded to include not only the idea of multiple systems and risk overlays, but also to incorporate the entire process that EMC uses to make ongoing changes in those systems and risk overlays into all hypothetical market research.

History

Since the inception of the firm, EMC has consistently developed its investment methodology. In 1994, under the guidance of Jon Trowbridge, PhD abd, University of Chicago and Director of Research, EMC initiated a two-year project to restructure its research model, trading systems, trading platform and analytic tools.

EMC's new infrastructure dramatically improved the investment model, and expanded its ability to design appropriate investment vehicles for different market segments. The research platform is able to manage multiple risk profiles by optimally blending systems. As a result of the improvements made in 1994 – 1996, EMC Enhanced the performance of its flagship program, EMC Classic, reducing its volatility profile by fifty percent.

In the more recent period, the research infrastructure at EMC has been continually upgraded to keep pace with technology. EMC has taken advantage of the improvements in technology by constantly expanding the scope of research done. Genetic testing was integrated, allowing for an essentially infinite system

parameter space to be tested in a short period of time. Forward looking, out of sample testing allows for optimizations of not only the trading systems, but also the ongoing process of refining system parameters to adapt to dynamic market conditions. This insures that hypothetical results show an accurate future expectation in live trading.

Key Personnel

Elizabeth Cheval Founder and Chairman

Elizabeth A. Cheval is the founder and Chairman of EMC Capital Management, Inc. She has over twenty-three years experience in the futures industry, including seventeen years as CEO of EMC. She directs all investment activity of the firm and is credited with the development of EMC's investment programs.

After completing her academic studies in mathematics, Ms. Cheval started her career on the Chicago Board of Trade exchange floor. In 1984, she joined an elite investment management training program offered by C&D Commodities and its founder, Mr. Richard Dennis. Ms. Cheval traded for Mr. Dennis until the mentorship program was disbanded in 1988. EMC was incorporated in May 1988.

Ms. Cheval is a graduate of Lawrence University, Wisconsin with a B.A. in Mathematics. She holds a Series 3 license.

John Krautsack Managing Director, Trading

Mr. Krautsack supervises the active management of EMC's portfolio and is responsible for all trading operations. Mr. Krautsack started his career in the futures industry in 1985 as an assistant to a prominent S&P 500 trader at the Chicago Mercantile Exchange. From 1989 to 1995, he managed trading operations for De Angelis Trading/Crown Capital Management, JPD Enterprises and ALH Capital. He joined EMC in 1995. Attended Winona State University School of Business.

Brian Proctor Managing Director, Marketing

Mr. Proctor is active in trading, research, and business development for EMC. He began his futures career in 1982, with experience at both the Chicago Mercantile Exchange and Chicago Board of Trade. Mr. Proctor was also chosen for the "Turtle" mentorship described above. In 1988, he established his own CTA firm, Pro Trading Inc. At Mr. Dennis' request, Mr. Proctor returned to C&D Commodities in 1990 to manage trading operations through 2000. B.A. Economics Miami of Ohio University, J.D. John Marshall Law School.

Dave Polli Managing Director, Research

Mr. Polli directs research at EMC and is responsible for the design and integration of all trading and research platforms employed by EMC. Mr. Polli graduated with honors from the Illinois Institute of Technology with a B.S. in Computer and Electrical Engineering.