Introduction to Gemstone Financial Engineering™

At its core, ***Gemstone Financial Engineering***™ (“***Gemstone***”) transfers risk from the investor to the Investment Manager by placing accrual/incentive compensation at risk.

The investor risk is transferred to the Investment Manager by a restructuring of the accrual/incentive to meet specific investor requirements which may include:

1. ***reducing volatility***
2. ***lowering drawdowns***
3. ***improving the number of positive months***
4. ***enhancing the risk-adjusted return***

The Three Key Elements in Gemstone Financial Engineering™

First, an Asymmetric Fee Accrual

Standard Quarterly Incentive Fee (20%)

	Performance	Incentive	Net Return
Month 1	10.0%	2.0%	8.0%
Month 2	-1.0%	-0.2%	7.2%
Month 3	-0.5%	-0.1%	6.8%
Ending of Quarter	8.5%	1.7%	6.8%

Gemstone Accrual/Incentive Structure (20%)

	Performance	Accrual/Incentive	Net Return
Month 1	10.0%	2.0%	8.0%
Month 2	-1.0%	-1.0%	8.0%
Month 3	-0.5%	-0.5%	8.0%
Ending of Quarter	8.5%	0.5%*	8.0%

Conclusion: At the end of the first quarter, the ***Gemstone*** Net Return is 1.2% higher and has had no losing months for the investor.

Hypothetical illustrative data. Data source: Efficient Capital Management®, LLC

***Actually it is slightly less than 0.5% for reasons to be explained later in the presentation**

The Three Key Elements in Gemstone Financial Engineering™ (cont.)

Second, A Fractional Payout

Instead of having a standard 20% incentive that crystallizes quarterly, use a monthly incentive pay cycle that:

1. ***Pays 1/60th[1] of the liquidating accrual value; and***
2. ***Never crystallizes.***

Third, A Sizeable Accrual/Incentive

Instead of using a standard 20% incentive fee, use, for example, a 50% accrual/incentive.

(Note: Because of the fractional payout without crystallization, the Investment Manager likely receives no more compensation than in a standard fee structure.)

[1] The size of the fraction is a variable, for example 1/24th or 1/60th.

Gemstone Financial Engineering™ Summary

Gemstone Financial Engineering™ improves the return characteristics by reducing volatility, minimizing drawdowns, improving the number of positive months *and* enhancing the risk-adjusted return.