RCM Alternatives

25 Questions **Every Investor Should Know** About

Diamond Capital

Enhanced S&P Program (ESP)

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Diamond Capital Management is dedicated to offering clients well managed alternative investment products that offer consistent returns and protection of principal achieved through the proper application of money management and continuous evaluation of risk exposure.

1.) What is the name of the program/programs and who are the listed Principals?

Program: Enhanced S&P Program (ESP)
Principals: Albert Hu and Kelly Farrell

2.) Can you provide us with some details of your corporate background?

(See attached bio for Diamond's principals)

3.) Who are the Principals with trading authority?

Albert Hu (primary) and Kelly Farrell

4.) Can you provide details on the principal and/or managers' education, career and trading background?

Kelly Farrell: With 26 years of experience in the investment industry, Ms. Farrell has a broad and deep understanding of portfolio management and trading strategies. After beginning her career with Prudential Bache Securities, she managed the institutional custody department at Firstar Bank and later acted as lead trading desk manager.

Ms. Farrell received a Bachelor's of Business Administration degree from the University of Wisconsin, and has been at the forefront of women in the commodities trading industry for more than a decade, founding Diamond Capital in 2002.

5.) Which firm calculates your performance numbers?

Albert (or Alan) and Kelly run performance numbers through an accounting program at each office individually and compare to ensure calculations are correct.

6.) What is the minimum investment for your program?

$150,000

7.) Do you accept notional funding?

Yes.

8.) What is your management and incentive fee structure?

2% mgt/20% incentive

9.) What is your program's capacity?

Approx. $350,000,000

10.) When did you start trading this program?

July 2009.

11.) What type of accounts do you manage?

AUM is comprised of approximately 20% institutional managed accounts and 80% individual managed accounts.

12.) Can you give a brief description of your program?

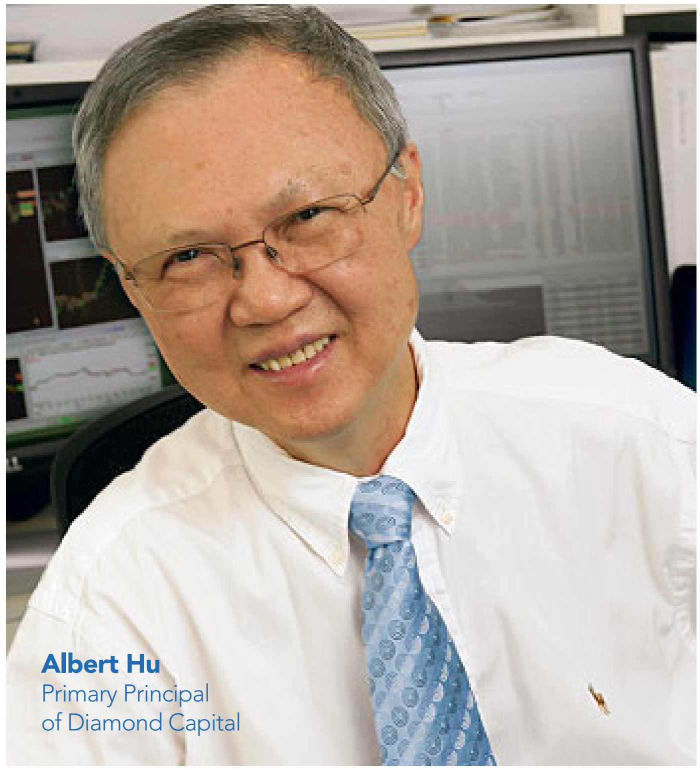
Trading Methodology

The Enhanced S&P Program (ESP) is a trend following system enhanced with an option overlay.

Trend-Following System

This system utilizes a computerized technical trend-following strategy with various levels of money management techniques. The principal objective is to profit from sustained futures price trends. Trend following is a method of trading which seeks to establish and maintain market positions based on major price movements.

The system first determines whether the S&P market is in a bull or bear trend, then trades only with the trend until it gets stopped out. A stop would occur when the S&P moves out of the current trend but has not yet entered into the opposite trend. Within the Trend Following System, proprietary short-term counter-trend signals may be used to exit the current position or even trade against the trend on a short-term basis.



Albert Hu
Primary Principal
of Diamond Capital

Premium Capture System

To enhance and balance returns within this program, DCM will also write covered and/or uncovered options to capture premiums and increase the potential profits. (Option positions may also increase the risk of market exposure from time to time.) Typically each month puts and calls will be written – the goal being to capture the premium either by letting the written options expire or by purchasing them back at lower price. The Volatility Index (also known as the VIX) will be used to determine the number of options to sell and what strike prices to be utilized. Strict risk controls will be in place to limit the downside risks and achieve a desirable risk/reward ratio.

13.) Do you have a systematic or discretionary approach to the market and what are your program goals?

The ESP is 90% systematic and 10% discretionary.

14.) What is the average holding period for each trade?

The holding period varies for the trend following portion of the ESP program, which can range anywhere from a few weeks to a few months depending on the underlying trend and system signals. The option positions are typically held for two to five weeks, depending on market conditions.

15.) Do you trade options within your program? If yes, please describe the types of options traded and how options risk is monitored.

Yes. The ESP utilizes options on S&P 500 futures. Predetermined stop-losses are in place to limit downside risk. In 2008, Mr. Hu completely overhauled the applied risk system for the options resulting in a more systematic program with more rigorous risk controls and using volatility measurements to a higher degree.

16.) Are there any liquidity constraints in the markets you trade?

The ESP utilizes futures and options on the S&P 500 which is one of the most liquid instruments available.

17.) In what types of market environments does your trading program do well and /or struggle?

For the Enhanced S&P, periods with a consistent long-term trend provide the most favorable environment for this strategy. Slow-moving, sideways markets offer the least opportunities for entry but work to our advantage for option positioning.

Markets that move extremely out of the range of normal probability, such as those experienced in the fall of 2008, pose the most risk for the option trading. Choppy markets that move sideways for long periods with large swings pose the most risk for the trend following within the ESP.

18.) What is the standard range of margin to equity usage for the program and how long do you hold the average trade?

Margin to equity has averaged 30% over the life of the program. This has been consistently lower than 30% for the last two and a half years. Margin can run as high as 45% occasionally for short periods depending on various market conditions.

19.) How do you manage risk/reward and what metrics are employed?

For the options, risk measurement is trade-based and takes into account volatility, time to expiration, and current market conditions. This implies a (internal) risk-evaluation by the applied systems, which may lead to adjustments of positions.

The initial risk evaluation determines the position size at the time of entry. Price behavior may lead to a reduction of the initial position. Significantly adverse price behavior may lead to an exit for the entire (remainder of the) position at which time a repair strategy would be implemented.

After the fall of 2008, the manager will use 3 times the possible options gains to set loss limits internally. The trend following system will adjust position with a change in the trend. The adaptive multi-level applied risk systems continually monitors market exposure and utilizes very low or no leverage.

Kelly Farrell
Principal of Diamond Capital

20.) What are the optimal market conditions for your strategy?

Markets with a steady trend without large, quick swings are optimal. However, it is the balance between the various portions of the system, trend following, trend reversal, and options, which allow for navigation through most market conditions.

21.) Describe your worst drawdown to date, how did it happen and what actions have been taken (if any) to prevent similar drawdowns?

The worst drawdown occurred in May 2010 as a result of the Flash Crash. How we like to look at it is that this was a good test of the applied risk system during an outlier event.

With the system long futures and fully positioned in the options, the risk parameters held the drawdown to acceptable levels which allowed for recovery in a reasonable amount of time.

22.) What are your investment goals?

The ESP seeks sustainable, long-term growth for investors by using proven, independent yet complimentary strategies. It is designed to navigate most possible market conditions and take advantage of major market movements. We target both absolute and competitive returns relative to the S&P 500 Index with lower volatility and drawdowns.

23.) What makes your program unique and different from other managers in your sector?

The ESP combines two non-correlated systems (trend following with a trend reversal component along with option trading) for a comprehensive approach and reduced volatility. The Enhanced S&P returns are typically not correlated to most trend followers or option strategies, as well as other CTA strategies.

24.) Do you feel you have an edge if so what is it?

Diamond Capital Management is dedicated to offering clients a well managed alternative investment product that offers consistent returns and protection of principal through the proper application of money management and continuous evaluation of risk exposure.

The incorporation of two non-correlated systems (trend following with a trend reversal component along with option trading) provides a dynamic system that is able to navigate most market conditions well. The program has consistently continued to effectively measure the probabilities of market movement and enter into positions accordingly to achieve above average returns with below average volatility. The trading principals at Diamond take personal pride in managing accounts with our clients' best interest in mind.

25.) What is the one piece of advice that you would give to a new start-up CTA?

Know your system well, never stop testing your system, have patience while growing your company, and be prepared for growth.

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The information contained in this report is intended for informational purposes only. While the information and statistics given are believed to be complete and accurate, we cannot guarantee their completeness or accuracy. RCM Alternatives has not undertaken to verify the completeness or accuracy of any of the information and statistics provided by third parties.

As past performance does not guarantee future results, these results may have no bearing on, and may not be indicative of, any individual returns realized through participation in this or any other investment. The risk of loss in trading commodity futures, whether on one's own or through a managed account, can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. You may sustain a total loss of the initial margin funds and any additional funds that you deposit with your broker to establish or maintain a position in the commodity futures market.
Any specific investment or investment service contained or referred to in this report may not be suitable for all investors. You should not rely on any of the information as a substitute for the exercise of your own skill and judgment in making such a decision on the appropriateness of such investments. Finally, the ability to withstand losses and to adhere to a particular trading program in spite of trading losses are material points which can adversely affect investor performance.

We recommend investors visit the Commodity Futures Trading Commission ("CFTC") website at the following address before trading: http://www.cftc.gov/cftc/cftcbeforetrade.htm

Managed futures accounts can subject to substantial charges for management and advisory fees. The numbers within this website include all such fees, but it may be necessary for those accounts that are subject to these charges to make substantial trading profits in the future to avoid depletion or exhaustion of their assets.

Investors interested in investing with a managed futures program (excepting those programs which are offered exclusively to qualified eligible persons as that term is defined by CFTC regulation 4.7) will be required to receive and sign off on a disclosure document in compliance with certain CFT rules The disclosure documents contains a complete description of the principal risk factors and each fee to be charged to your account by the CTA, as well as the composite performance of accounts under the CTA's management over at least the most recent five years. Investor interested in investing in any of the programs on this website are urged to carefully read these disclosure documents, including, but not limited to the performance information, before investing in any such programs.

Those investors who are qualified eligible persons as that term is defined by CFTC regulation 4.7 and interested in investing in a program exempt from having to provide a disclosure document and considered by the regulations to be sophisticated enough to understand the risks and be able to interpret the accuracy and completeness of any performance information on their own.

RCM Alternatives receives a portion of the commodity brokerage commissions you pay in connection with your futures trading and/or a portion of the interest income (if any) earned on an account's assets. CTAs may also pay Attain a portion of the fees they receive from accounts introduced to them by RCM Alternatives.

WHAT WE DO

We build great Managed Futures portfolios with clients looking to access the managed futures space in a meaningful way. That's been our specialty for more than a decade, with our experienced team up to the challenge of finding unique managers to fit unique needs.

For Investors

Research & Educate

We believe education means more than just a glossy brochure showing how managed futures is non-correlated to the stock market. We believe it means ongoing analysis of what's happening now, not just what happened over the past decade; and we provide daily research and commentary via our popular 'Attain Alternatives' blog covering all things alternative investments, as well as periodic whitepapers digging deeper into topics, guest posts by fund managers, and more.

Scout Talent

You can think of us as talent scouts, helping investors scour the world of alternative investment opportunities in an effort to identify those with robust, consistent performance, sophisticated risk management processes, and well-developed operational infrastructure. This selection is done through our proprietary filtering algorithm before performing one-on-one meetings and "real-time due diligence" where we analyze daily trading.

Tailor Portfolios

Armed with a menu of talented managers, we then provide customized portfolio and strategy advice to better generate target returns and protect principal while meeting the diversification, return, and risk needs of investors ranging from high net worth individuals to pension funds. Clients invest in these portfolios by opening a brokerage account with us, where we earn a portion of the trade-by-trade costs and fees paid to the portfolio managers you enlist. There are never any add-on, portfolio-level fees for our services.

Make It Easier

We make the actual investment part, with the paperwork and funding and all the rest, as easy as possible. We do this by eschewing a 'one size fits all' approach in favor of a consultative approach where we work with clients to find solutions that work for them in terms of structuring the investment. These include vanilla individual futures accounts, to the creation of 'Funds of One' or direct access to managers. The choice of clearing firms considers the investor's requirements for credit rating, balance sheet, and more; while consideration is given to smart collateral options via T-Bills, Notes, Corp. Debt, & Stocks.

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