

*As of January 2014*

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## **Spyder Capital Partners, LP**

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## Welcome

We employ a prudent, long-term approach to wealth generation for high net-worth individuals, multi-generational families, pensions and endowments. Our strategy focuses on managing a long-term portfolio of income-producing investments and actively managing risk.

The core of what we do is centered on determining the value of companies that pay dividends and preferably rising dividends. A rising dividend company is one that has an established track record of raising its dividend over the previous 5-10 years. We seek out companies with a long-term approach to growing cash flow without excessive debt. We also invest in companies that produce income through master limited partnerships (MLPs). An MLP is a company designed to provide a distribution infrastructure to our rapidly growing energy and natural resources industry. It's not an investment in the energy itself—it's the toll-road that carries the products.

While this is the core of our strategy, we do not exclude more opportunistic investments. When we do make opportunistic investments, however, they are heavily risk-managed and often are designed to offset risks within the core portfolio.

As we control risk through market action, we look for total return within our long-term portfolio to increase through yield and/or price appreciation. The underlying portfolio serves as our base upon which we engage in risk-managed trading. Depending on the market, we may trade daily or not at all because the core is doing its job. We're not chasing an index or dreaming up an exotic strategy. We're doing the job that you've hired us to do. We are working hard on research, monitoring our holdings, staying educated about the market and searching for opportunities. Our investing philosophy is to keep complications to a minimum, provide clarity and add value for our partners. The following pages hold extensive detail about our business. But it's also important to get to know us, so please feel free to call us before you invest.

Thank you,

*Howard Stolzer*

## Introduction to Spyder Capital

**Launched in October 2013, Spyder Capital Partners, LP is a multi-strategy equity fund with a rising dividend core.**

### **INVESTMENT FOCUS:**

**The fund's mission is to derive enhanced income returns while maintaining a strong focus on capital preservation**

- Multi-asset: Equity, Options, Convertible and Preferred Equity, Bonds and Structured Investments
- Global with a focus on rising dividends, dividend stocks and other income producing investments
- Fundamental valuation with opportunistic technical entry; favors holdings with long history of increasing dividends
- Minimal explicit leverage
- Hedges employed to reduce specific and systematic risks

### **WHAT SETS US APART:**

**We are focused on capital appreciation and believe in creating an engine to enhance wealth for families across several generations**

- Experienced Investment Fiduciary, extensive background working with Pension Plans, High Net Worth Families
- Proven track record demonstrating success in generating superior returns
- Seasoned management with more than 15 years of portfolio management and business consulting experience.

### **FUND MANAGER MILESTONES:**

- Co-Founded a registered Investment Advisor in 1997
- MBA, AIF, CEBS; Member, CFA Institute and New York Society of Securities Analysts
- Manage over \$100 M in pension and individual assets; consulting has included portfolios that exceeded \$1.25 B.
- Managed Dynamic Allocation Series Collective funds for retirement plans.
- Launched Spyder Capital in 2013

# Investment Philosophy

## PHILOSOPHY

- Find high quality opportunities
- Focus on core understanding of business value
- Equity Core: 30% minimum of invested capital in Rising Dividend Equity
- No external leverage
- Enhance long-term portfolio performance with non-core holdings

## PRODUCT RANGE

- Global Equities and Options are core holdings
- ETFs, ETNs, Futures
- Structured products, Convertibles, Preferred Equity, Bonds
- Limited Private Equity

## RIGOROUS ANALYSIS

- Securities analyzed on a fundamental basis
- Country and Sector selection
- Macro effect
- Portfolio impact
- Analysis varies by equity bucket and industry
- Technical analysis for timing and portfolio weight decisions

## INVESTMENT OUTLOOK

- Core Equities: typically 6-12 months or longer
- Long and Short
- Short-Term Opportunistic option or technical trade
- Limited Bonds, Private Equity typically greater than 12-24 month investment
- Hedging using Futures, Options and Equity/ETF combinations

# Investment Process

## PROCESS

**Fundamental Approach:** The Fund determines the fundamental value of an investment using methods such as DCF, Value, P/E or other classic methods depending on its view of stock, sector and peers.

**Why Long-Term Holdings:** We seek investments with management teams focused on adding long-term value for shareholders.

**Investment Philosophy:** Although we are long-term focused, we also add value via short-term operations, option trading and yield gathering.

**Leverage:** The Fund may use leverage, but it is not heavily geared. Typically, leverage is used to increase short-term trading capacity; while long-term positions are maintained as collateral.

## SECTOR OVERVIEW

Opportunities in both the US and Global markets guide our investment direction across sectors.

- Economic Cycles
- Geographic Analysis
- Macro trends

## FUNDAMENTAL ANALYSIS

Factors that are inputs in asset valuation models.

- Discounted Cash Flow
- Balance Sheet
- Ratio Analysis
- Value Based
- Growth analysis varying by opportunity

## TRIGGER ANALYSIS

We maintain a hierarchy of factors for buy/sell points, technical trends entry/exit points, and long/short combinations.

- Option and Market Volatility
- Portfolio Attribution
- Pivot and Support levels

## FIDUCIARY CONTROLS

We evaluate the impact of corporate actions and monitor the impact of non-market events on Fund holdings.

- Voting rights
- Legal rights
- Collateral management
- Credit issues
- Tertiary impact on holdings

## USE OF HEDGES TO MITIGATE RISK

**Position Level Analysis:** Models assign the theoretical amount needed to hedge each position as needed.

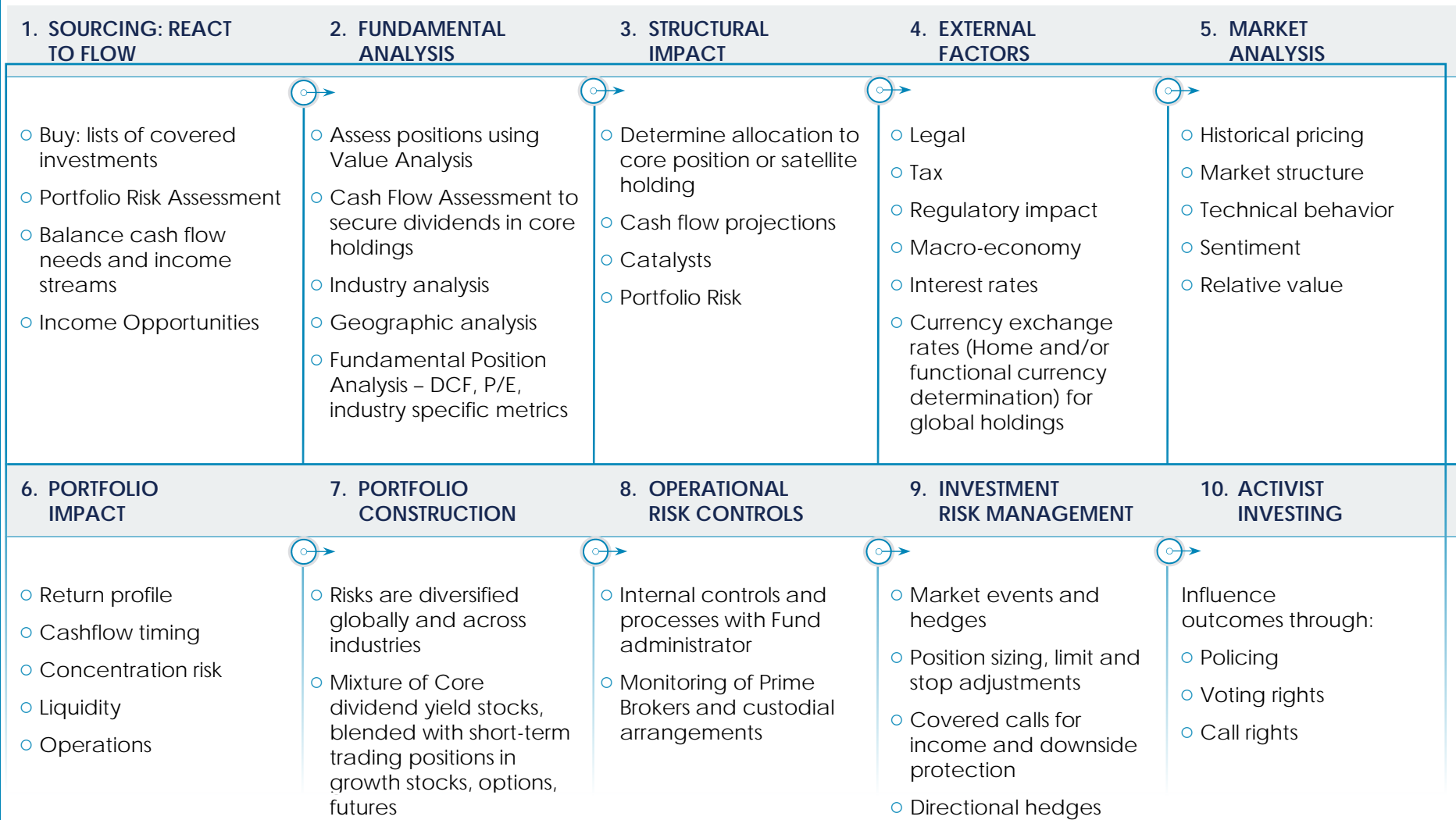
**Macro Overlay:** Fund may hedge or use options based on macro factors and portfolio exposures.

### US Indices:

- Futures contracts for major indices such as S&P or NASDAQ to hedge overall portfolio or specific position
- Long/Short Options

**Stock/ETF:** May be long specific stock and short sector ETF or vice-versa. Limited use of inverse ETFs.

# Investment Process



# Multi-Level Risk Management

Significant deviations are studied to hone or update the strategy and to drive future trades.

## MARKET RISK MANAGEMENT

- Computer models generate sensitivities of portfolio and positions
- Diversification: Individual long positions net risk exposure limited to 10% of the AUM (measured at the time of investment)
- Core structure using dividend paying securities that historically have lower Betas and produce interim cash flows

## SURVEILLANCE

- Update projections, comparing them with actual outcome
- Monitor and analyze each investment's performance to check that the performance is in line with expectations
- Evaluate market trends relative to price discovery

## HEDGING

- Portfolio level hedging using futures and options
- Directional positioning to manage systematic risk
- Position level hedging using option strategies

## LEVERAGE

- Currently use no explicit leverage and anticipate using little leverage in the future
- Some positions have "implicit leverage"

## PORTFOLIO DECISIONS

- Determine cost of short-term risk management in long-term strategy
- Trades using long/short equity, covered calls, protective puts, spreads or other strategies
- Forecast risk/reward tradeoff using expected returns
- Evaluate holdings for timing of cash flows
- Tactical trades vs. strategic holdings
- Determine markets to use for portfolio exposures



# Investment Opportunity

## Generational Investing Opportunities: Multi-Strategy with a Long-Term Horizon

### DIVIDEND CORE

**Rising Dividend Stocks:** Well run businesses with rising dividends offer regular income with capital preservation characteristics. The Fund is not strictly limited to rising dividend investments, but maintains a range of investment between a minimum of 30% and maximum of 80% in this category. The Fund defines rising dividends as companies that have raised a dividend by 10% per year for the previous 10 years.

**Dividends with Macro or Thematic Opportunity:** The portfolio managers may identify structural shifts within the global economy and will tilt toward investments that will benefit from a long-term trend, while also paying dividends.

**Master Limited Partnerships:** Energy equity and infrastructure may offer superior income returns and capital appreciation. Our preference is for strong, established equity offerings; however, we may consider smaller, less well-known investments during favorable market conditions. We believe a multi-year phase of business consolidation, coupled with infrastructure development, is underway.

### OPPORTUNISTIC

**Opportunistic Equity:** Focus on valuation with potential for covered calls or other equity option combinations. The portfolio may make limited investments in long-term small cap or emerging technology.

**Exchange Traded Funds (ETFs):** Low-cost sector investment or used as a long Stock / Short ETF (or vice versa) combination.

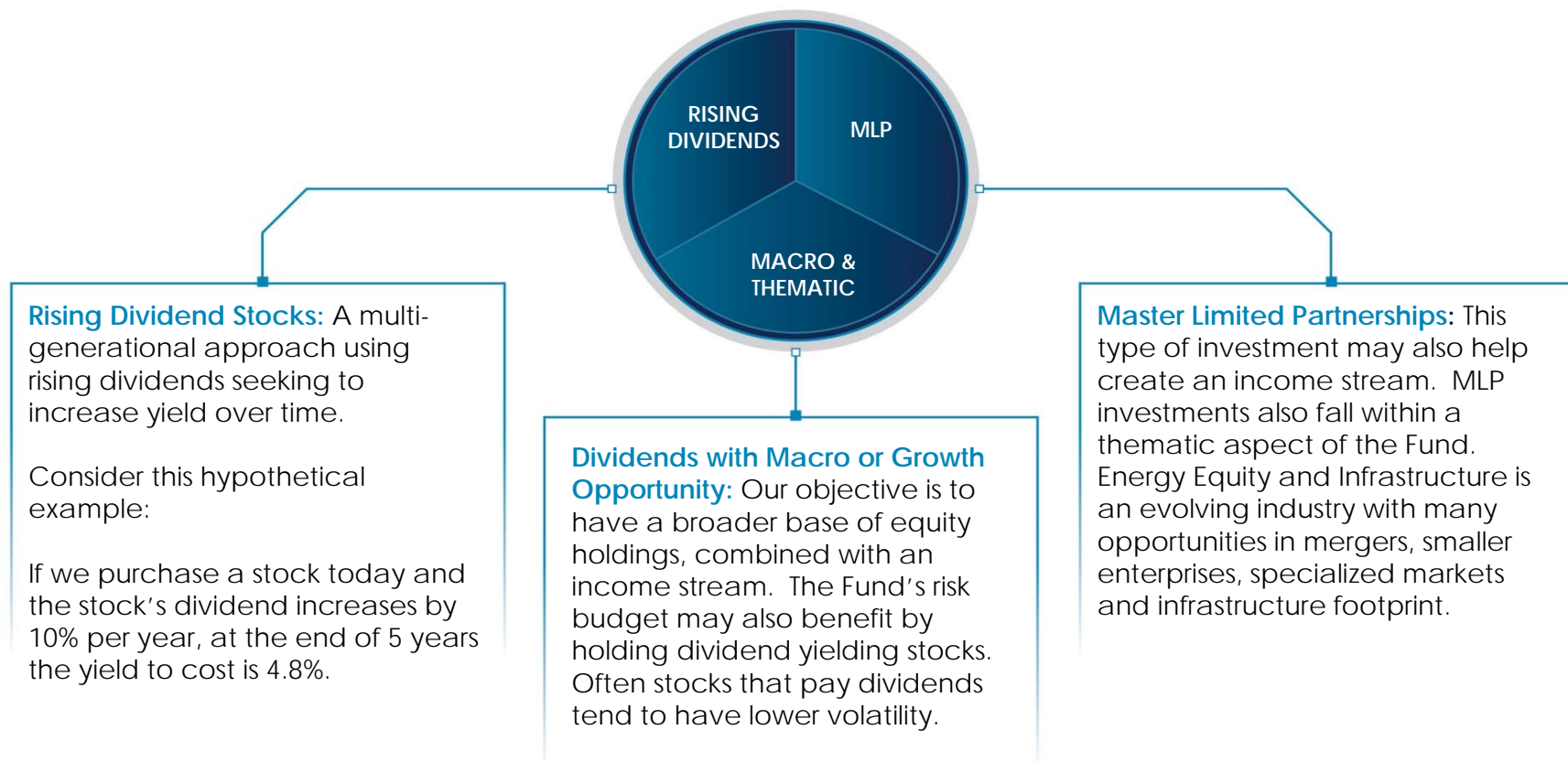
**Options/Futures:** Covered Calls or Spreads, Limited Naked positions. Futures may be used to quickly immunize or bolster the Fund during strong directional movement.

**Other Hedge Funds and Private Equity:** The Fund may purchase other hedge funds in certain market conditions when it is cost effective. This may occur when specialty expertise is needed or access to an investment favors non-public investments.

**Bonds:** The Fund may purchase bonds for trading or risk management, or use convertible bonds and preferred stock for income generation or access to equity.

## Investment Opportunity: Core

### Generational Investing Opportunities: Core



## Investment Opportunity: Opportunistic

### Opportunistic Investing

#### EQUITY

**Opportunistic Equity:** Although we are long-term investors, we may identify a company that the manager believes to represent a compelling value for short-term trading, or a long-term holding. While the manager remains vigilant about risk, small allocations may enhance portfolio returns.

#### ETF

**Exchange Traded Funds (ETFs):** As the Fund evaluates its sector weightings we may decide to buy or sell the sector. In addition, the Fund may position in the sector and buy or sell specific securities to hedge the Fund's positions. The Fund may go long or short in specialty ETFs such as in Fixed Income.

#### OPTIONS

**Options:** Covered calls or spreads, Limited Naked positions. The Fund may use options to manage risk, generate income, reduce equity basis, or for asymmetric trading.

#### HEDGE FUNDS & PRIVATE EQUITY

**Other Hedge Funds and Private Equity:** Because the Fund is a multi-strategy fund, it may find an investment opportunity that is better served by another hedge fund or private equity. The Fund is not intend to be a fund of funds.

#### BONDS

**Bonds:** The Fund may purchase bonds for trading, risk management or use convertible bonds and preferred stock for income generation or access to equity. Bonds may also be used for cash management. Bonds are not a not a core investment of the fund.

# Operational Infrastructure

## DISASTER RECOVERY

- We maintain a formal disaster plan that we can share on request
- A number of our services are cloud based
- We are able to access Internet, email and Trading platforms via Fiber and Cellular Data services

## COMPLIANCE

- Utilize Mission Critical Services for compliance-monitoring and adherence (perform mock compliance audits, quarterly reviews, compliance calendar, etc.)
- Periodic Due Diligence on custody provider(s)

## BROKERAGE/CUSTODY RELATIONSHIPS

- Interactive Brokers serves as Prime Broker; we also have relationships with 3 other brokers
- Primary Custodian (via our Prime Broker) is Principal Financial

## WIRE PROCESS

- Step 1: Wire to: Bank of America, Spyder Capital Partners, LP
- Step 2: Operations confirms receipt in Bank Account
- Investment allocated to Fund account following settlement

## WIRE CONTROL

- Administrator reviews Subscription Agreement and verifies receipt of funds

## Fund Terms & Service Providers

<b>INVESTOR LAUNCH</b>	October, 2013
<b>MINIMUM INVESTMENT</b>	\$100,000
<b>AUM</b>	\$110,000 Manager's Seed at inception
<b>MANAGEMENT FEE</b>	1.5%
<b>PERFORMANCE FEE</b>	15%
<b>REDEMPTIONS</b>	The Fund allows monthly liquidity with a 30 day notification period following a 2 year initial lock. Please review offering memorandum and subscription agreements for details.
<b>CUSTODIAN</b>	Principal Trust, Co.
<b>AUDITOR/REVIEW</b>	Grassi & Co.
<b>PRIME BROKER</b>	Interactive Brokers
<b>ADMINISTRATOR</b>	Mission Critical Services
<b>LEGAL COUNSEL</b>	Olshan Frome Wolosky, LLP
<b>INVESTOR TRANSPARENCY</b>	<ul style="list-style-type: none"><li>○ P&amp;L attribution/asset allocation charts</li><li>○ Non-audited NAV statements and performance reporting</li><li>○ Quarterly conference calls with Howard Stolzer</li><li>○ Annual audits conducted by third-party auditor</li></ul>

## About Us:

### **Portfolio Manager: Howard Neil Stolzer, MBA**

**Mr. Stolzer** has been managing investment portfolios for individuals, pensions and institutions for nearly two decades. He has served as Chief Investment Officer of BS&S Chadler (formerly BS&S) for the past 6 years and served in the formation of its predecessor 18 years ago. Prior to that he worked in consulting, financial management, insurance brokerage. He has advised closely held businesses and publicly traded multi-national entities on investment management, governance and ERISA matters. His background is diverse, and includes working in entertainment and real estate development. A graduate of Berklee College of Music, where he studied Audio Engineering, Mr. Stolzer also holds an MBA from Rollins College. He is a member of the CFA Institute and the NYSSA.

### **Spyder Capital Partners, LP**

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1<sup>st</sup> Floor  
Basking Ridge, NJ 07920

### **INVESTOR INQUIRIES**

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Fax #: 847-701-9238

E-mail Address: [InvestorRelations@spydercap.com](mailto:InvestorRelations@spydercap.com)

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THE FEES AND EXPENSES CHARGED IN CONNECTION WITH AN INVESTMENT IN THE FUNDS MAY BE HIGHER THAN THE FEES AND EXPENSES OF OTHER INVESTMENT ALTERNATIVES AND MAY OFFSET PROFITS.

THE FUNDS ARE SUBJECT TO CONFLICTS OF INTEREST.

THERE IS NO GUARANTEE THAT THE INVESTMENT OBJECTIVE WILL BE ACHIEVED.

THE GENERAL PARTNER TO THE FUND MAY REPLACE VENDORS AS IS DEEMED NECESSARY, CURRENT INVESTORS ARE NOTIFIED PRIOR TO THE CHANGE, THIS IS INFORMATION IS ACCURATE AS OF RELAEASE DATE OF THIS BROCHURE 10/15/2013.

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