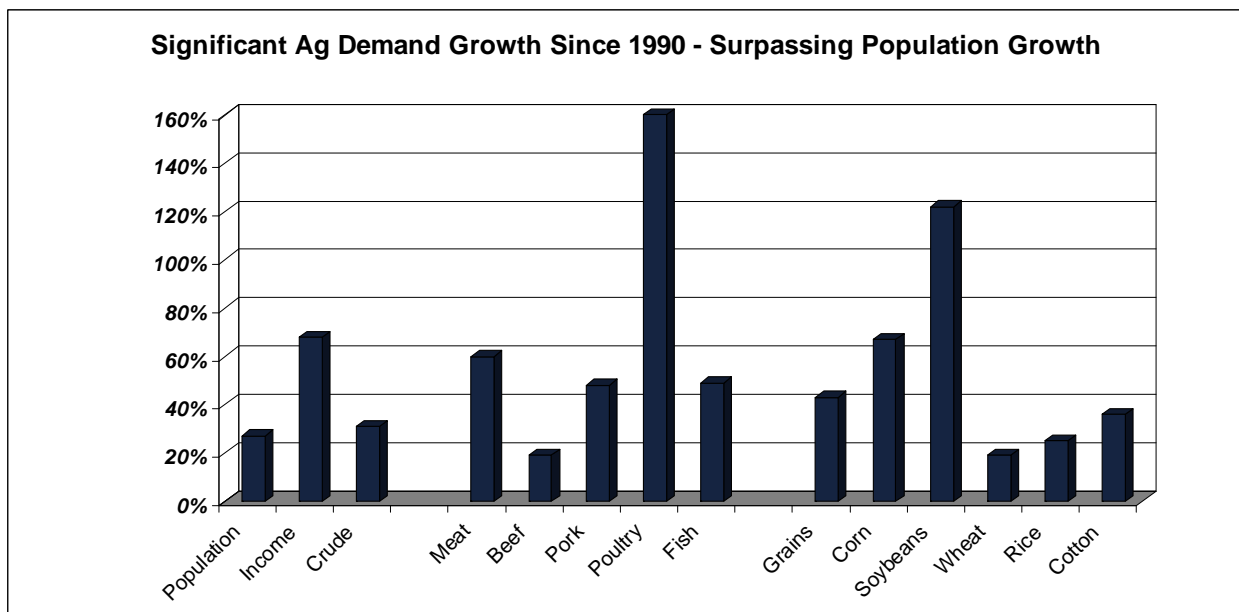


From Dirt to Dinner Table: The Case for Agriculture

Executive Summary

- Passport believes growing global demand for agricultural commodities and food products with constrained supplies, processing capacities, and distribution channels provides an attractive investment opportunity.
 - The demand for agricultural products is growing as a result of two prominent phenomena: a global population increase, and rising incomes which result in changing diets.
 - In recent years, growing world demand for agricultural crops has outpaced production, resulting in a tightening of stocks and upward pressure on prices.
 - While agricultural prices are not as high as those experienced in late 2007 and early 2008, we expect higher real prices and higher volumes in the future, and above-average equity returns.
- During times of economic contraction, the demand for food historically has not declined as significantly as other products and services.
- We believe the circumstances of the current global recession—including tight credit and reduced asset values—have created a particularly attractive entry point for investors in the agriculture industry.
- In particular, the prospects for fertilizer producers, sugar producers, and protein (dairy and meat) companies appear especially compelling.



Source: Pioneer.

The Case for Agriculture

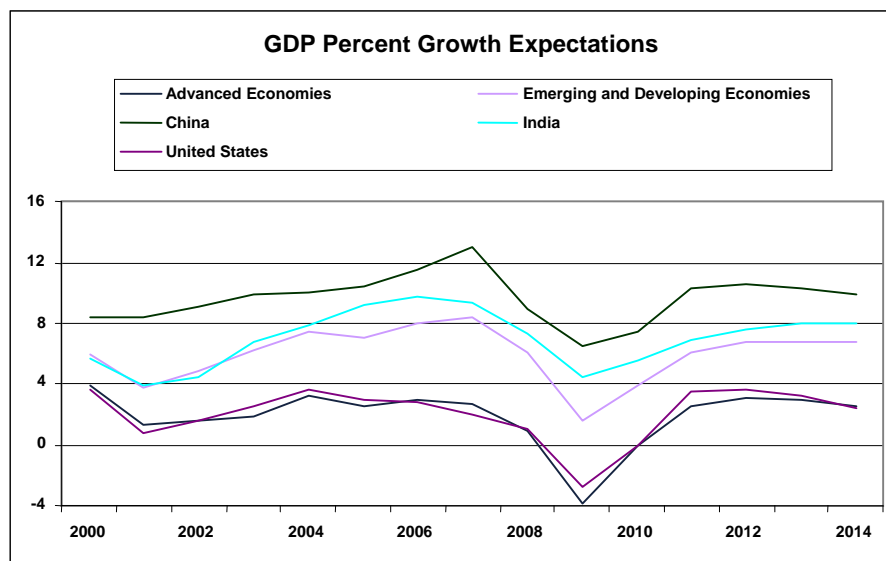
The global agriculture industry is in the early stages of a metamorphosis. The above chart illustrates rising demand from 1990 to the present, but the next three decades should present even more dynamic opportunities for this industry; agriculture will be challenged to provide food, fiber, and fuel to a growing world population that is predicted to increase by more than one-third, to a staggering 9 billion people by 2054.

As suggested by the data and Passport's analysis below:

The continued growth in the world's population is contributing to increased demand for grains, while at the same time a large and expanding global biofuels industry is requiring increasing amounts of global grain and vegetable oil production. Additionally, rising incomes in developing nations, especially in China and India, are driving large segments of the world's population toward more protein-rich diets that include poultry, pork, and beef, all of which are exerting meaningful pressures on world grain demand due to a multiplier effect associated with the production of meat and meat products. The combination of these fundamental changes within the industry has resulted in a significant increase in the demand for agricultural products as a whole.

Demand Drivers: Population, Income, Biofuels

As world population and income levels continue to increase, we believe that the demand for food and value-added food items will increase accordingly. These trends imply that the rapid population growth and rising income in developing countries, especially in China and India, are key determinants that are driving the growth in world food demand. The chart below shows that the greatest GDP growth is expected to come from emerging and developing countries, not the United States or other advanced economies.



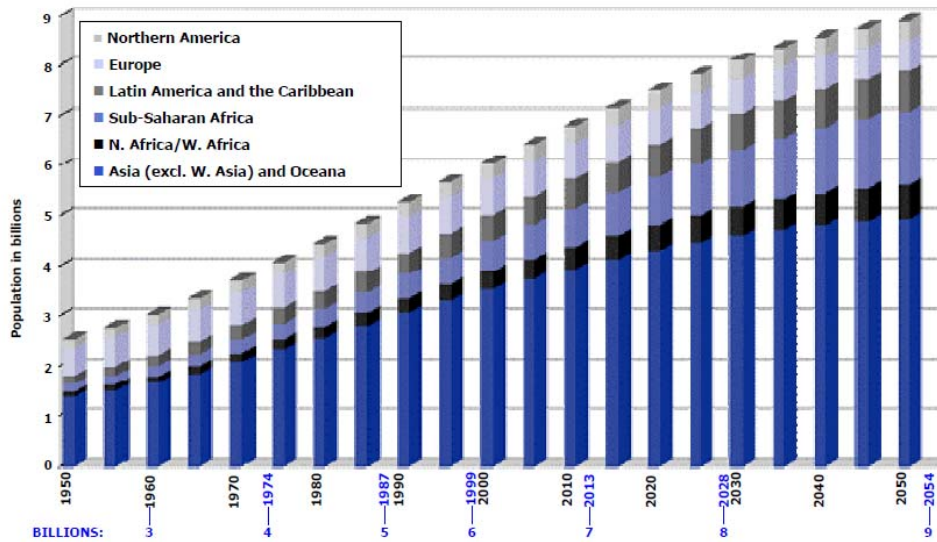
Source: IMF World Economic Outlook, April 2009.

In addition, structural changes and the increased use of crops for biofuels and other industrial applications are creating further pressure on the demand for agricultural products not intended to simply feed people.

Population Growth Drives Demand

World population growth is steadily influencing the increasing demand for agricultural products. The global population has risen at an average annual rate of roughly 3% since 1950; by 2054, world population is projected to reach 9 billion people. To put this into today's context, we are expected to add around 70 million mouths to feed each year. As shown in the chart below, the primary contributors to population growth have been the Asian nations, in particular China and India.

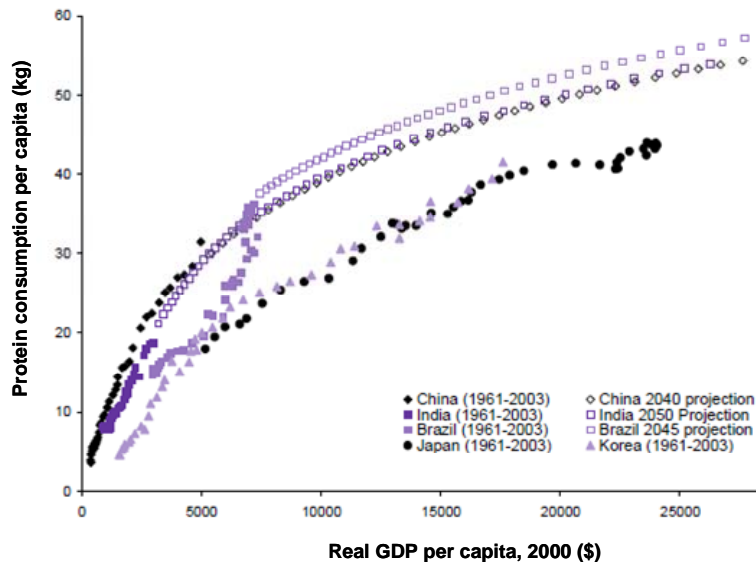
World Population Growth



Source: United Nations, *World Population Prospects (the 1998 Revision)*.

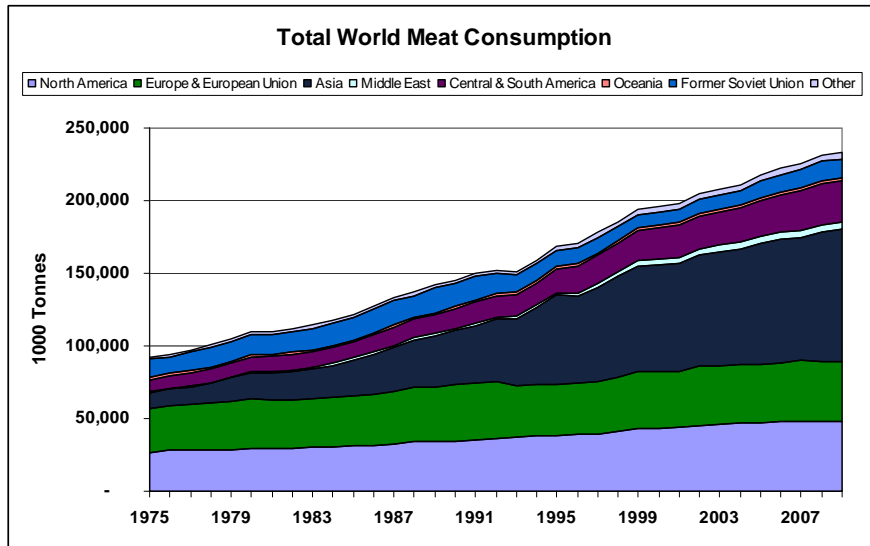
Income Growth Drives Improved Diets

As incomes rise above subsistence levels, high-value food products become more prevalent in diets. Such products include meat and processed foods like fats, oils, and confectionery products. As seen below, protein consumption for China, India, and Brazil have the largest projected growth potential.



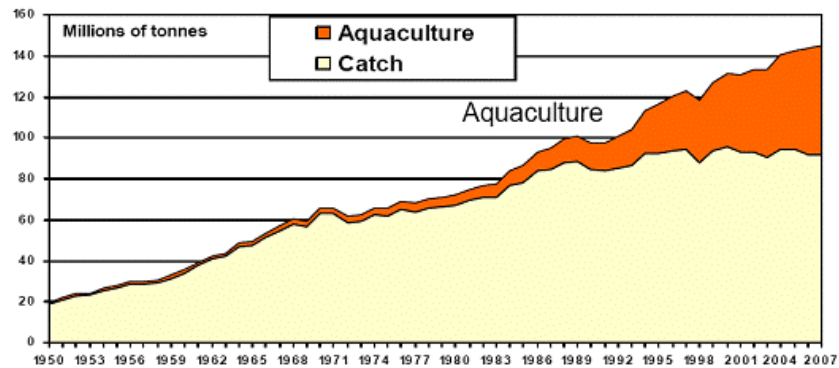
Source: FAO, *Goldman Sachs Commodities Research*.

As seen in the chart below, since 1975 world meat demand has grown by nearly 150%, with most of this growth attributable to Asia. Increased demand for meat has, in turn, increased the demand for feedstuff, including corn, barley, and soybean meal.



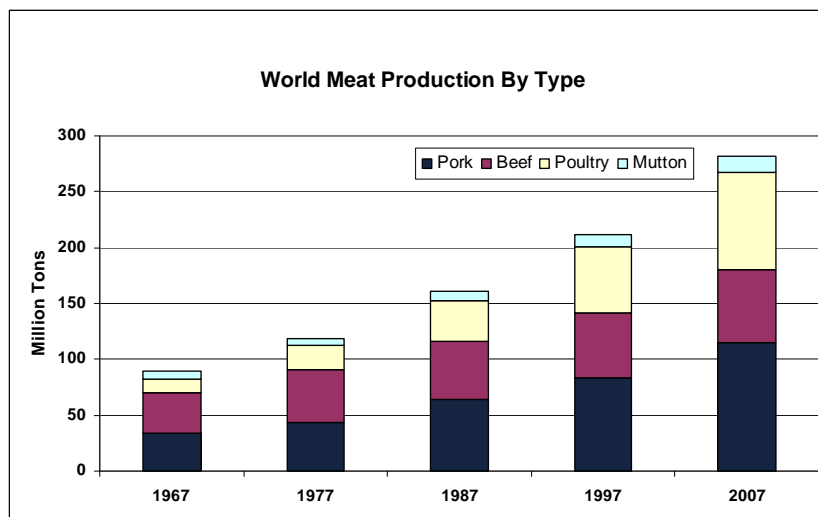
Source: USDA EAS.

This is against the backdrop of the peaking of world's ocean fish catch and its recent subsequent decline.



Source: FISHSTAT 2007

Fish is the largest source of animal protein in the world, with a total of approximately 145 million tonnes of consumption, compared to all other forms of protein combined, at approximately 280 million tonnes.



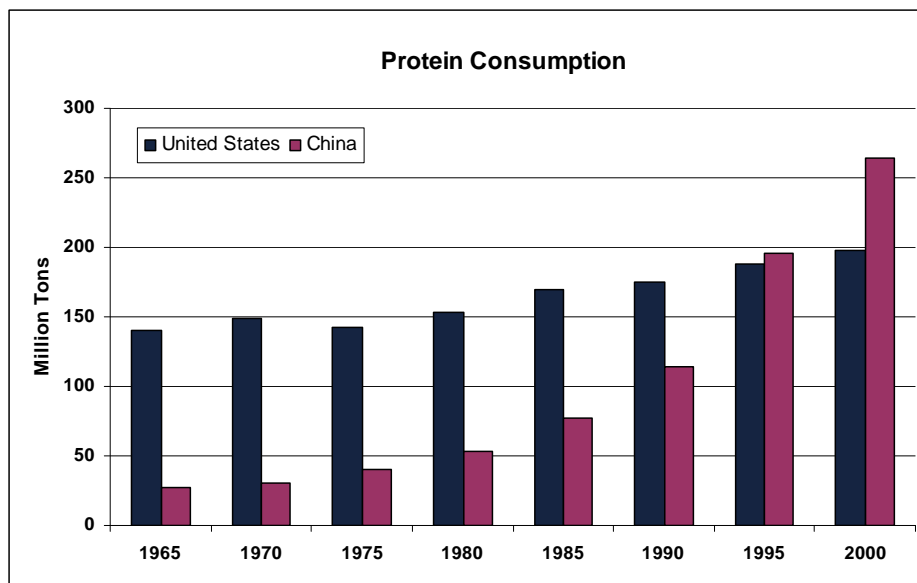
Source: FAO.

This shift in diet, which includes more meat and processed foods, increases the demand for feed stocks (wheat and coarse grains) to support livestock production. As shown in the table to the right, more protein production requires significantly more grain production – to get a single pound of protein, you need 1.5 to 7 lbs. of grain, depending on the animal. Even though the lowest feed conversion is for fish, our oceans and fisheries are very strained, and production seems to be maximized.

Feed / Protein Conversion Ratio

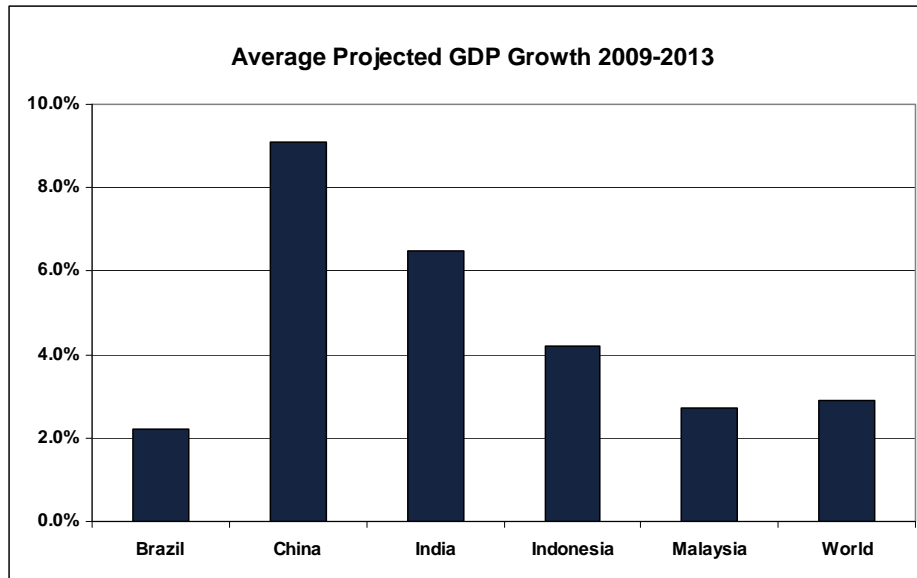
| Protein | Feed Conversion Ratio (lb. feed in / lb. protein out) |
|---------|---|
| Fish | 1.5:1 |
| Poultry | 2.0:1 |
| Pork | 4.0:1 |
| Beef | 7.0:1 |

As seen in the chart below, China’s production and consumption of meat have overtaken the United States as the world’s dominant meat-consuming market. In addition, China’s agricultural output is constrained by water availability (see case study), and all of this meat requires feed (corn and protein meal).



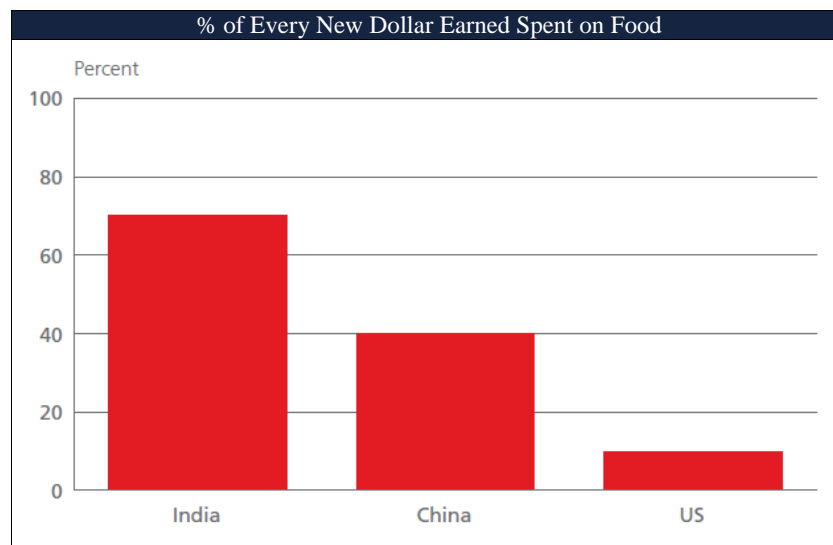
Source: FAO.

Economic growth in developing nations is expected to continue to outpace that of the developed world, which will increase their ability to buy more and better food. As shown in the chart below, forecasts suggest that by 2013, China’s economy will grow by an average of 9.1% and India’s by 6.5% – far ahead of the world average of just 3%. The resilience these countries have shown, along with stimulus packages their governments have put in place, support our belief that they will be the ones to lead the world out of the current economic downturn.



Source: IMF World Economic Outlook April 2009.

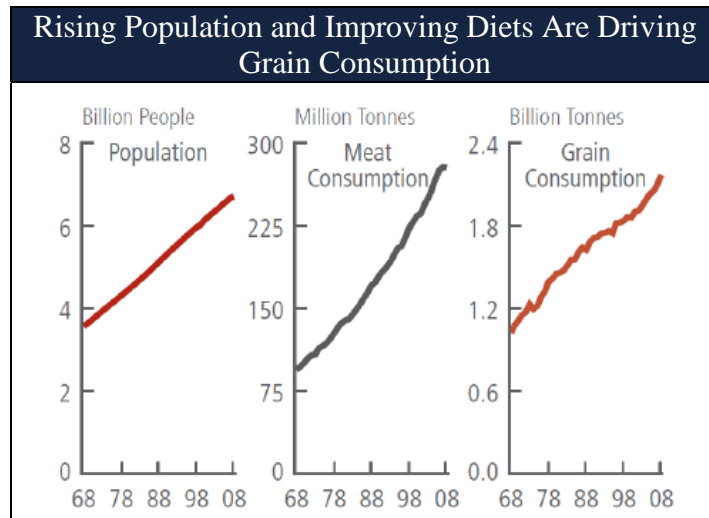
Rising income levels, particularly in developing countries, should result in an increase in both per-capita calorie consumption and total food expenditure. According to the USDA Economic Research Service (ERS), per-capita calorie consumption averages 2,618 calories per day in low-income countries, 3,000 in middle-income countries, and 3,348 in high-income countries, a 28% increase between the low and high income levels. Meanwhile, the implied cost per calorie between low-income and high-income countries increases by about 770%. With increased income comes increased demand for food. Overall, caloric intakes increase, but—more importantly for grain and oilseed demand—taste for protein, in particular, increases.



Source: USDA, PotashCorp.

For many years, people in developing countries lived primarily on starch-based diets, since protein from animal sources was less available and less affordable. As their economies have grown, people in these countries have been able to improve their diets by increasing the amount of protein they eat. While these countries have moved closer to the type of diets people in North America enjoy, their protein consumption still falls well short of the US average – and they will continue to strive for more nutritious

diets. Even without considering population growth, we believe there will continue to be increased demand just from improving diets.

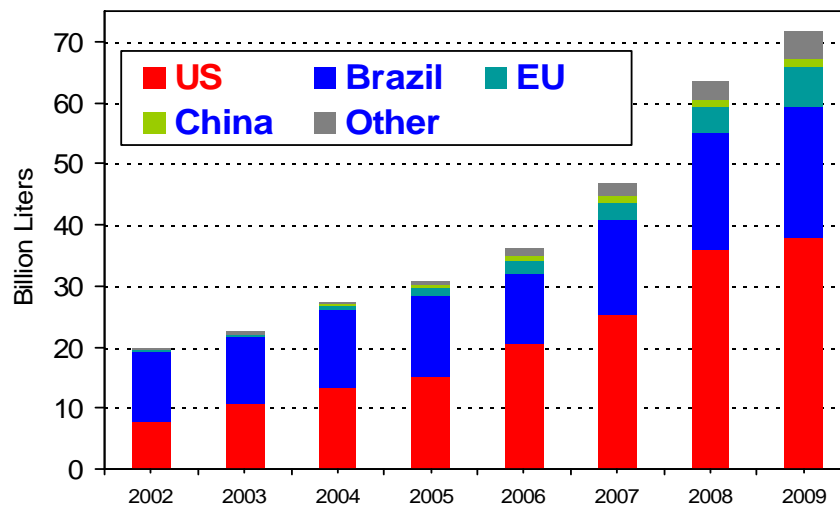


Source: United Nations, FAO, USDA, PotashCorp.

Biofuels Drive Demand and Competition for Cropland

Demand for grain is also accelerating due to the continued reliance on fuels in both the OECD and developing countries. The United States, Europe, China, India, Brazil, Argentina, Malaysia, and Indonesia now have biofuel mandates and/or subsidies. During the past five years, global production of biofuels, including ethanol, has increased significantly. Ethanol can be produced from a variety of renewable sources including corn, wheat, and sugar. Compared to gasoline, ethanol burns cleaner, can be domestically produced, and its use is generally viewed as being more environmentally responsible.

Global Ethanol Up 350% since 2002



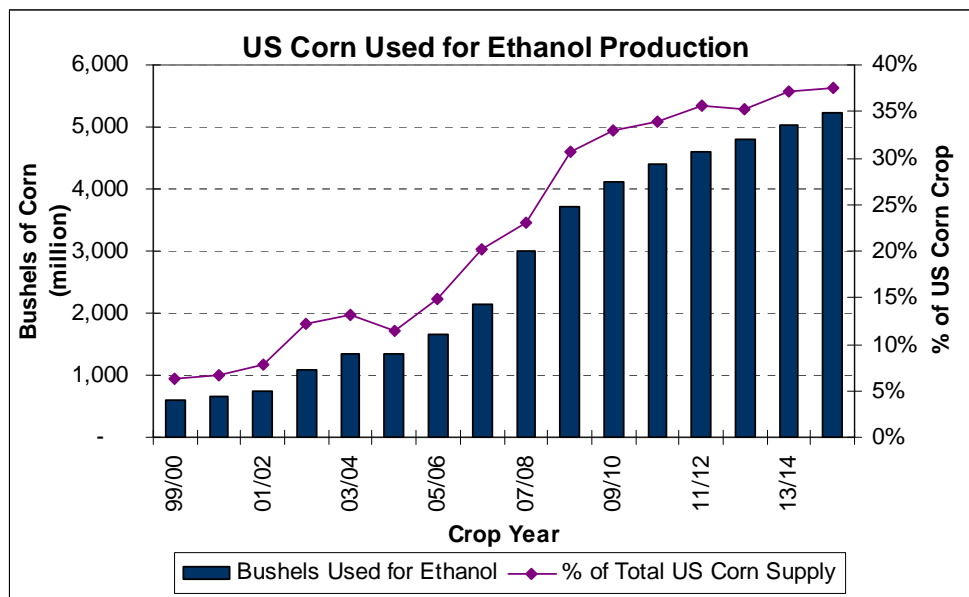
Source: LMC.

As a result of government support for ethanol and biodiesel production, there has been a large increase in demand for biofuel inputs.

We believe the primary drivers for the increase in actual and projected biofuel production capacity are the following:

- Energy security, mainly in the United States and Europe, due to recent volatility in oil prices.
- Environmental concerns, particularly carbon emissions from fossil fuels.
- Development of new markets for existing agricultural products to increase farmers' revenues.

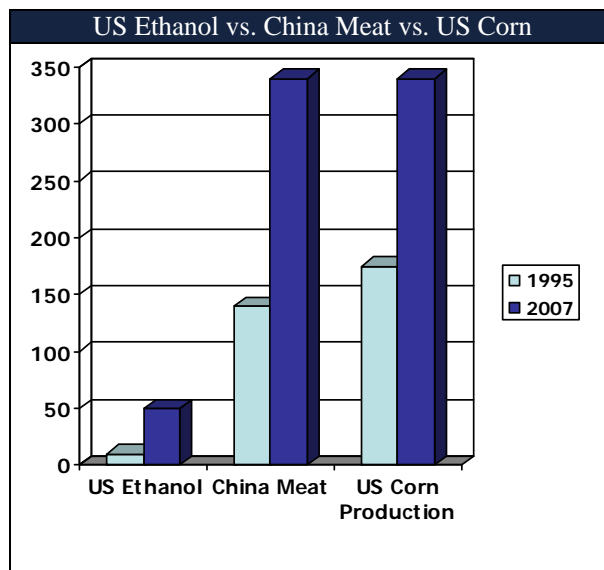
Ethanol is generally produced from corn, wheat, or sugar cane. Biodiesel is generally produced from soybean, canola, and other oilseed feed stocks. The largest benefactors of increased biofuel demand are the crops of corn in the United States, wheat and canola in the EU, and sugar in Brazil. As we have witnessed in recent years, high fuel prices point to acceleration in ethanol demand in the future. In developed economies, mandated renewable energy targets set by governments, a heightened sense of social responsibility, and a desire to decrease dependence on foreign oil have also been important drivers for the increasing ethanol demand.



Source: PRX.

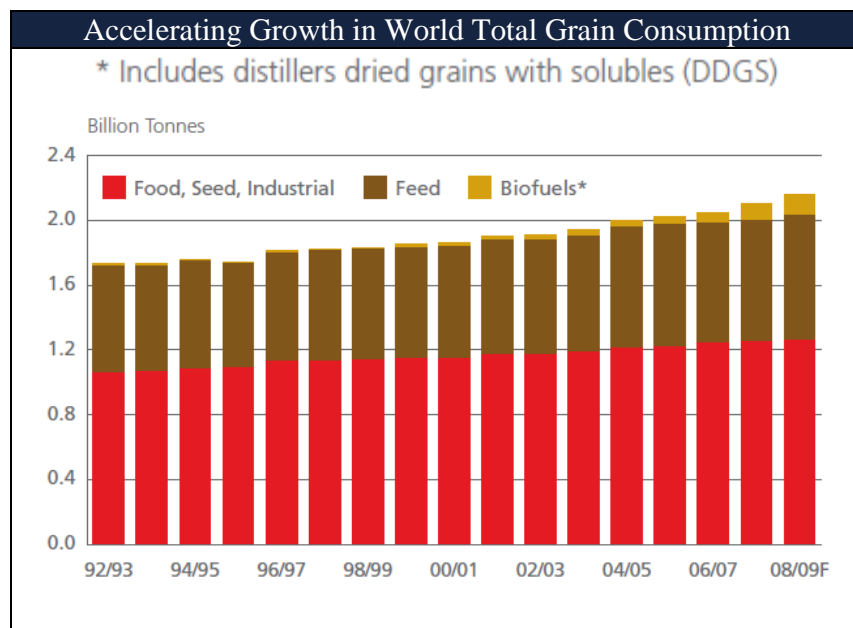
The USDA's current projection of corn used for ethanol is 3.75 billion bushels for 2008/09 and 4.1 billion bushels for 2009/10.

The expected mandates for biodiesel also have massive impacts on world food markets. At currently mandated levels, biodiesel accounts for 7.5% of global demand for vegetable oil, and this is expected to increase to 12.5% of world demand by 2015. This incremental demand from biofuels is important to the US supply and demand balance for corn (in the chart above, mandated levels of ethanol are expected to consume 37% of the US corn crop), but global food demand dwarfs ethanol demand as a growth driver. As shown below, far more land used for corn production has been required to produce meat for China than to meet the growing demand for ethanol.



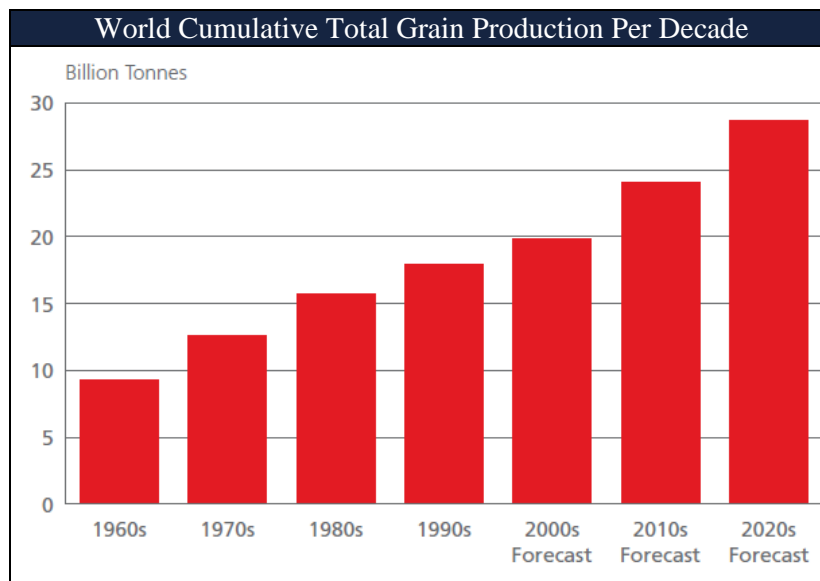
Source: Biofuels Digest, April 2008.

Biofuels are a small percentage of total grain and oilseed demand but are increasing, as shown in the chart below.



Source: USDA, PIRA, PotashCorp.

To meet the UN recommendations for food production, a total of nearly 60 billion tonnes of grain will be needed by 2030, or 44% more than in the previous 22-year period.



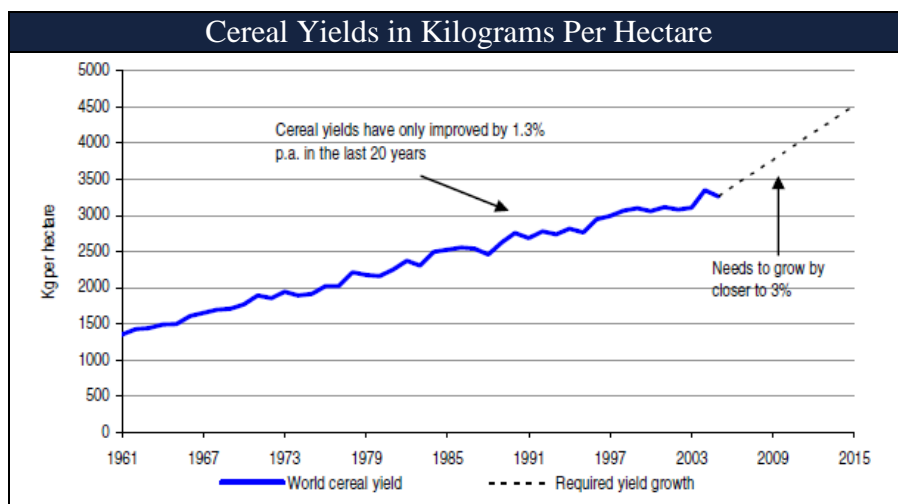
Source: United Nations, USDA, Doane's, PotashCorp.

Passport believes this will only be possible with significant investment in additional arable land, proper fertility practices, investments in agricultural processing and infrastructure, and technological improvements in seed and ag chemicals.

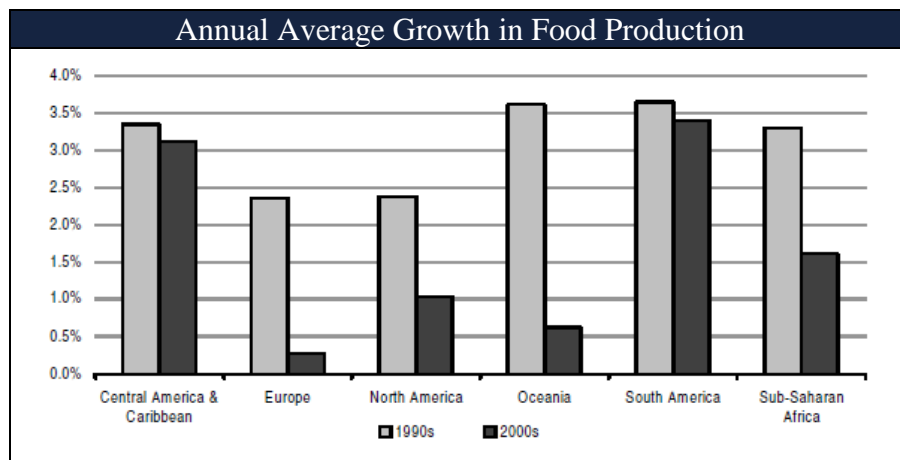
Supply Drivers: Inventories, Arable Land, and Yield

We believe the world's supply of agriculture products is dependent on four key variables: 1) grain inventories at the start of the year, 2) annual production, which is driven by the amount of arable land available for farming, 3) weather conditions, especially available water and climate changes, and 4) the advancement of production technologies.

On the yield side of the supply equation, the rapid growth experienced from the 1970s on appears to be slowing. Developed countries have already implemented improved fertilizers, pesticides, seeds, and harvest technologies to achieve higher yields. As seen in the charts below, cereal yields have improved, but need to grow further to meet expanding demand. At the same time, the average annual growth in food stocks has declined.

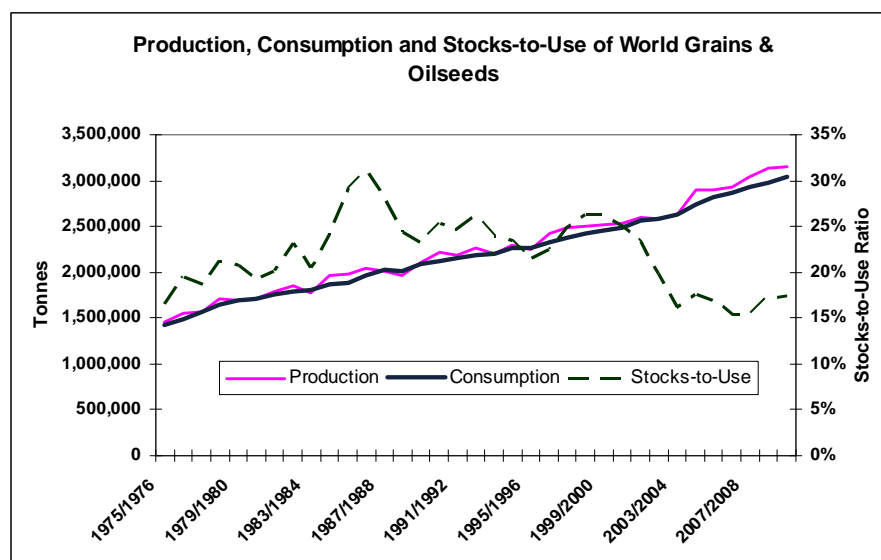


Source: FAO, Credit Suisse.



Source: FAO, Credit Suisse.

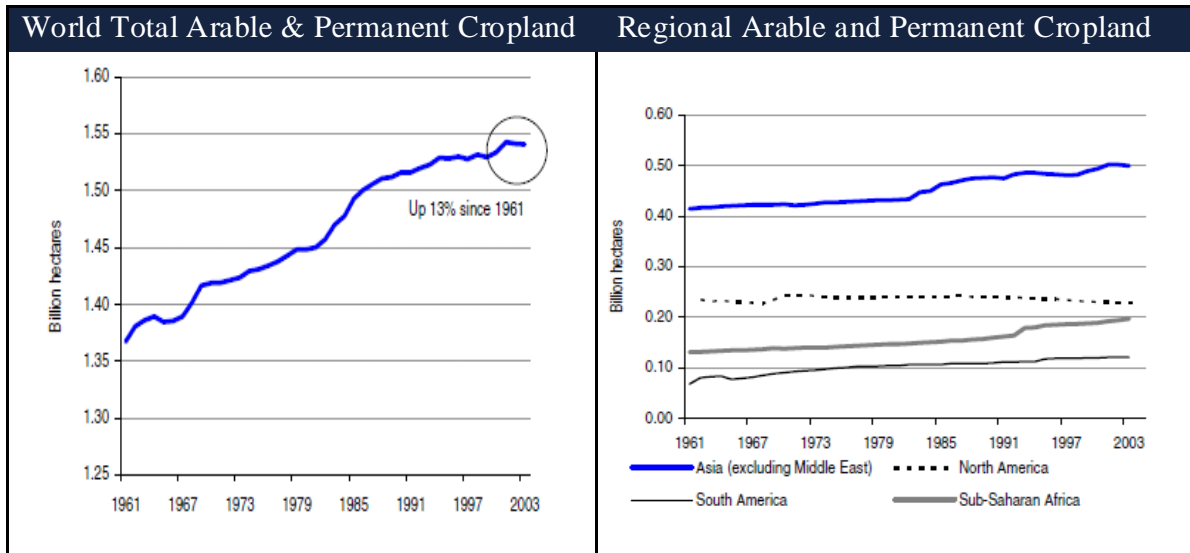
Inventories, or stocks, which have historically helped offset the growing gap between demand and supply, are now again at 30-year lows, and are forecasted by the USDA to remain in tight supply. During the past seven years, demand for grains has outstripped production such that global grain inventories, as shown in the chart below, fell to record lows for the 2007/2008 crop year. If production is the same or declines in future years, then grain inventories should be further reduced as demand grows. If this occurs, it will push the stocks-to-use ratio near record lows. We feel that as non-discretionary demand for ag products increases (food for the next several billion people and crops for meeting the renewable fuel mandates), the potential for greater volatility in commodity prices can create additional investment opportunities in the agricultural sector.



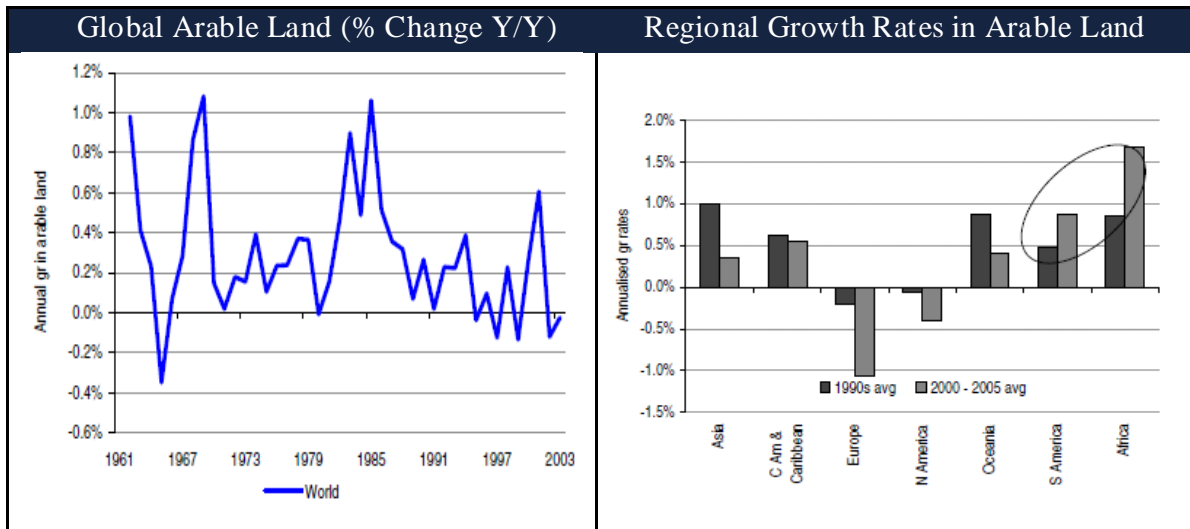
Source: USDA Foreign Agricultural Service (FAS).

The two largest contributors to increased grain output in the past 30 years—expanding arable land and production yields—now appear to be constrained in their ability to keep up with the expanding global demand. Global arable land available for agricultural use has increased for centuries in response to population growth, but, as of 1975, the growth rate started to slow due to the most suitable and accessible land having already come into production. In addition, soil erosion, deforestation, industrialization, urbanization, and falling water tables or water rights being sold off or taken to provide water for urban developments have also contributed to the shrinking of available arable land. The current rate of expansion in arable land is less than 0.5% per year, while the population is growing by more than 1% per

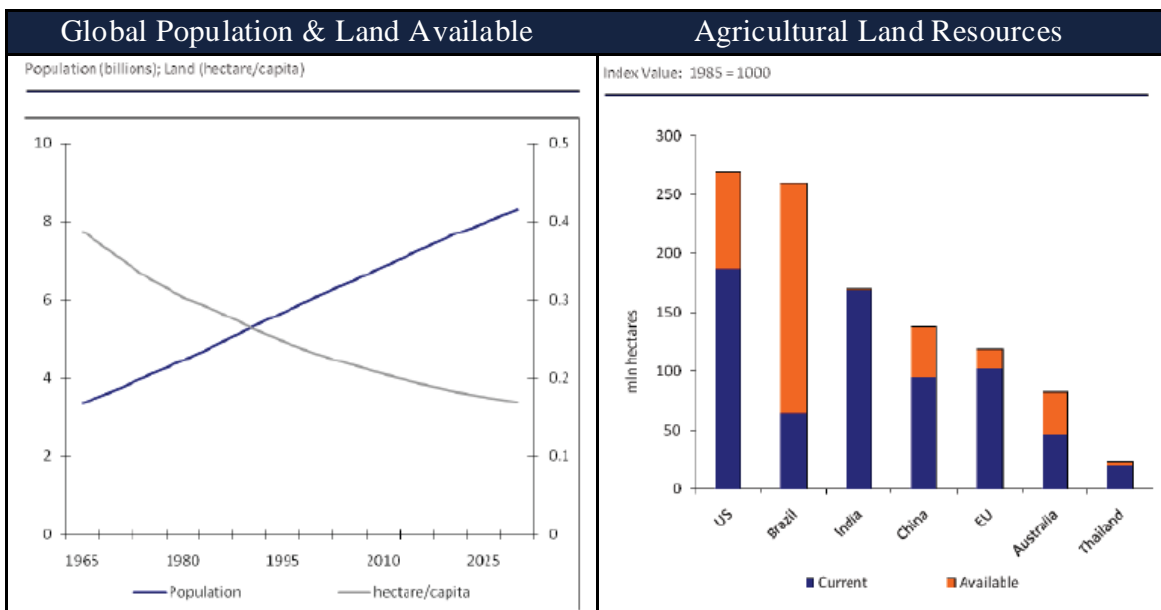
year. The trend of finite and slowly shrinking arable land per person is not yet an immediate concern to supply, since not all available arable land is used for farming. However, if the amount of arable land continues to shrink, the ability to expand planted acreage to offset tight inventories will be compromised. The charts below illustrate the growing arable land dilemma.



Source: FAO, Credit Suisse.



Source: FAO, Credit Suisse.



Source: Rabobank.

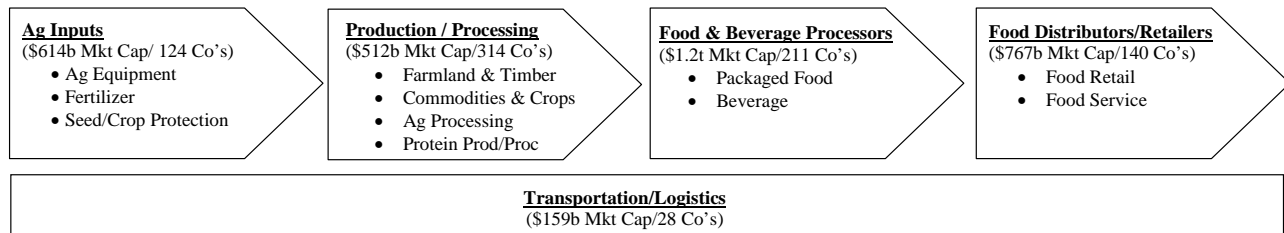
During the past 30 years, global consumption of the world’s two largest crops, corn and wheat—which comprise nearly 70% of the world’s coarse grain and wheat supply—has increased at approximately 2.2% annually, a rate close to that of global population growth. This data implies that consumers are shifting increasingly toward diets that are both grain intensive and protein rich.

While demand for grain has been increasing, yield growth has been declining. Current yield growth is around 1%, less than half the average rate during the 1960s and 1970s. This trend toward a plateau in global yields, combined with limitations on current arable land, is leading to concerns about the ability to increase supply rapidly in response to tight inventories and rising prices. This trend requires more capital investment into all aspects of agriculture, including infrastructure, proper soil fertility, seed technology, crop chemicals, and the development of higher-cost acres.

South America’s Arable Land

As shown in the chart on page 3, projections indicate that world population will grow to nearly nine billion people by 2054. Throughout the late 20th century, increases in food demand, driven largely by population growth, had prompted farmers to improve land productivity. The remaining potential for expanding the world’s cultivated area is concentrated in South America, principally in an area known as the Cerrado, located in central Brazil. However, the development of the Cerrado will need sustained higher crop prices to come to fruition in our view (see case study at the end of this paper). We believe the impact of this expansion potential is likely to be modest at best, given the cropland losses elsewhere due to urbanization, changing weather patterns, and water issues. According to Lester Brown’s *Outgrowing the Earth*, analysts estimate that the Brazilian Cerrado includes an additional 75 million hectares (185 million acres) of potentially cultivatable land, an area almost as large as the US grain and soybean plantations combined. We see potential to invest in and with local Brazilian agricultural enterprises to capitalize on these opportunities. In our view, the companies that are providing ag inputs, logistics, processing, and distribution should see significant demand increases.

The Agriculture Value Chain: “Dirt to Dinner Table”



The agriculture food chain starts at the farm input level, works through to production and processing, and ultimately winds up as end products for human and animal consumption, for industrial uses, and for biofuels. There are more than 2,000 public companies worldwide in this universe, and Passport’s focus is on a subgroup of 817 of these companies, which tend to be larger and more liquid, and which have a combined public market capitalization of more than \$3.3 trillion. A more detailed description of each category follows.

Ag Inputs

Ag Equipment

Agricultural equipment covers a wide range of products, including grain storage bins and related equipment, irrigation equipment, GPS systems, tractors, and large combines, which retail at price points from US\$10,000 to more than \$450,000. World agricultural equipment demand is projected to grow at 3.8% per year through 2012 to US\$112 billion according to the Freedonia Group. Developing nations such as Brazil are expected to post healthy gains due to increased mechanization. Demand for farm equipment is tied to five key factors: farm income, projections for government programs, crop production, credit availability, and interest rates. There are 27 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$97 billion.

Fertilizer

Plant growth requires three key nutrients: nitrogen, phosphorous, and potassium. Typically, all three nutrients are applied in various ratios, depending on the plant type being grown and on soil quality. According to the International Fertilizer Industry Association, consumption growth has been increasing between 2% and 3% annually across the three key nutrients. Typically there has been a correlation between grain prices and the prices of all three types of fertilizer (see case study at the end of this paper). There are 67 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$276 billion.

Seed/Crop Protection

Rising yields are a result of the evolving seed industry. Major breakthroughs continue to be introduced in specialized varieties that target specific disease resistance, insect resistance, and weather conditions. Commercial seed was a \$34 billion market in 2007, with biotech crops accounting for 20% of the market. There are 30 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$240 billion.

Production/Processing

Farmland/Timber/Agribusiness

Companies in this sector grouping include: farmland, forest/timber, palm plantations, and sugar/ethanol production. Prices for producers are driven primarily by output prices and volumes. As commodity prices

increased and the balance sheets of farmers improved over the past few years, prices for farmland also started to increase dramatically. However, the recent volatility in agriculture prices has in our view been a dominant factor in slowing the growth of both cash rental rates and farmland values to a mere 2% average increase in prices year-over-year, according to the Federal Reserve Bank of Chicago. Recently, the profitability of palm plantations and sugar companies has been positively impacted by strong consumer demand for vegetable oils and sugar, and also due to increasing demand for these products to be used as a renewable fuel. There are 119 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$234 billion.

Ag Commodities/Crops

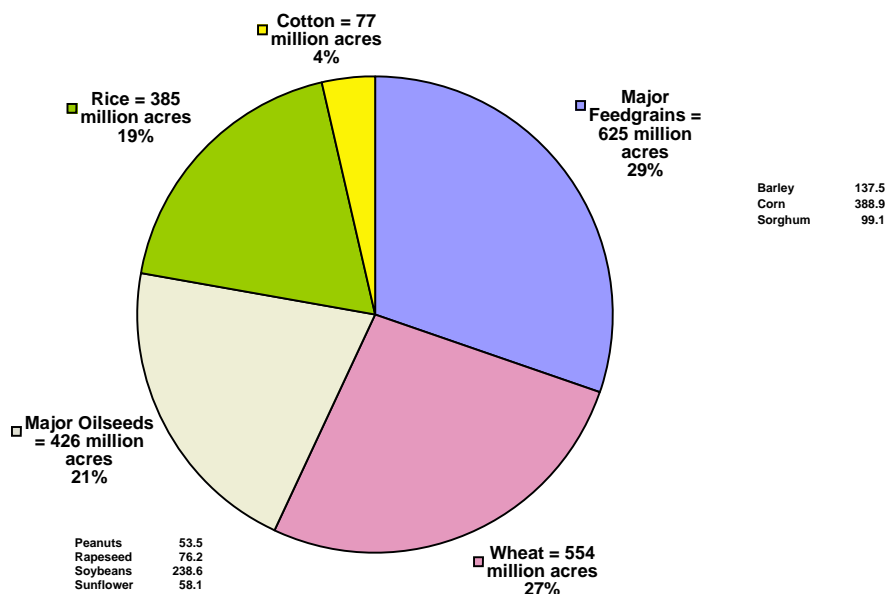
Cereal crops consisting of wheat, rice, and coarse grains such as corn are the largest category of crops. Corn is one of the largest crops grown in the United States. Recently, the biofuels industry has had a direct impact on the increase of demand and price volatility. Corn destined for the biofuels industry accounted for 23% of production in 2007, and is expected to grow to 34% of corn production in 2016, according to the USDA.

Although sugarcane is not one of the largest three global crops, it is becoming increasingly important in the developing biofuels industry. An increase in oil prices can pull corn and sugar into making fuel. Sugar is the primary ethanol feedstock in Brazil, the dominant producer and exporter of both sugar and sugar-based ethanol.

The following chart shows the major crop types in the world in acres planted:

**TEN MAJOR CROPS IN WORLD = 2068 MILLION ACRES HARVESTED IN 08-09,
Up by 56.8 Million Acres from 05-06, a 2.7 Percent Increase**

PRX_WorldAYPanel_Start, GTB-09-02, Feb-10-09. Source is USDA-FAS, PSD database.



The following table shows production details of where major crops are produced:

| Corn | | | | | Wheat | | | | |
|---------------|-----------------|------|----------|-------|---------------|-----------------|------|----------|-------|
| Country | Production (MT) | % | Hectares | Yield | Country | Production (MT) | % | Hectares | Yield |
| United States | 267.6 | 38% | 28.6 | 9.36 | EU-27 | 124.8 | 20% | 24.5 | 5.10 |
| China | 145.0 | 21% | 27.0 | 5.37 | China | 104.0 | 17% | 23.2 | 4.48 |
| Brazil | 50.0 | 7% | 13.7 | 3.64 | India | 69.4 | 11% | 26.4 | 2.63 |
| EU-27 | 55.2 | 8% | 8.7 | 6.38 | United States | 49.3 | 8% | 18.9 | 2.60 |
| Argentina | 22.5 | 3% | 2.8 | 8.04 | Russia | 44.9 | 7% | 23.7 | 1.89 |
| Mexico | 22.0 | 3% | 7.4 | 2.97 | Australia | 23.0 | 4% | 11.2 | 2.05 |
| India | 15.0 | 2% | 8.3 | 1.80 | Pakistan | 21.7 | 4% | 8.4 | 2.60 |
| Canada | 9.0 | 1% | 1.1 | 8.47 | Canada | 25.3 | 4% | 9.7 | 2.61 |
| South Africa | 6.5 | 1% | 2.8 | 2.32 | Turkey | 17.5 | 3% | 8.6 | 2.03 |
| Nigeria | 7.8 | 1% | 4.7 | 1.66 | Iran | 14.8 | 2% | 6.9 | 2.63 |
| Other | 101.4 | 14% | 43.5 | 2.33 | | | | | |
| World | 702.0 | 100% | 148.5 | 4.73 | World | 610.4 | 100% | 212.6 | 2.79 |

| Soybeans | | | | | Palm | | | |
|-----------------|-----------------|------|----------|-------|---------------|-----------------|------|-------|
| Country | Production (MT) | % | Hectares | Yield | Country | Production (MT) | % | Yield |
| United States | 86.8 | 39% | 30.2 | 2.87 | Indonesia | 4.5 | 43% | 3.77 |
| Brazil | 59.0 | 27% | 20.7 | 2.85 | Malaysia | 4.1 | 40% | 4.31 |
| Argentina | 47.2 | 21% | 15.9 | 2.97 | Nigeria | 0.7 | 6% | 2.12 |
| China | 16.2 | 7% | 9.3 | 1.74 | Thailand | 0.2 | 2% | 2.56 |
| India | 7.7 | 3% | 8.1 | 0.95 | Colombia | 0.2 | 2% | 4.18 |
| Paraguay | 6.5 | 3% | 2.4 | 2.69 | Papua N Guine | 0.1 | 1% | 4.00 |
| Canada | 3.5 | 2% | 1.2 | 2.89 | Cote d'Ivoire | 0.1 | 1% | |
| Bolivia | 1.7 | 1% | 0.9 | 1.94 | Cameroon | 0.1 | 1% | |
| EU-27 | 1.2 | 1% | 0.5 | 2.50 | Ecuador | 0.1 | 1% | |
| Ukraine | 0.9 | 0% | 0.7 | 1.25 | Congo | 0.1 | 1% | |
| World | 221.6 | 100% | 93.9 | 2.51 | World | 10.3 | 100% | 3.71 |

| Sunflowerseed | | | | | Cocoa | | | |
|----------------------|-----------------|------|----------|-------|---------------|-----------------|------|--|
| Country | Production (MT) | % | Hectares | Yield | Country | Production (MT) | % | |
| Russia | 6.8 | 22% | 5.9 | 1.14 | Ivory Coast | 1.3 | 37% | |
| EU-27 | 6.5 | 22% | 4.0 | 1.63 | Ghana | 0.7 | 21% | |
| Ukraine | 5.3 | 18% | 3.9 | 1.36 | Indonesia | 0.4 | 13% | |
| Argentina | 3.5 | 12% | 2.4 | 1.46 | Cameroon | 0.2 | 5% | |
| China | 1.9 | 6% | 1.0 | 1.90 | Nigeria | 0.2 | 5% | |
| India | 1.3 | 4% | 2.1 | 0.60 | Brazil | 0.2 | 4% | |
| United States | 1.0 | 3% | 0.7 | 1.36 | Ecuador | 0.1 | 3% | |
| Turkey | 0.8 | 3% | 0.5 | 1.46 | Dominican Rep | 0.0 | 1% | |
| Pakistan | 0.5 | 2% | 0.4 | 1.28 | Malaysia | 0.0 | 1% | |
| Serbia | 0.4 | 1% | 0.2 | 1.90 | Other | 0.3 | 10% | |
| World | 30.1 | 100% | 23.9 | 1.26 | World | 3.5 | 100% | |

| Sugar | | | Rapeseed | | | | |
|---------------|-----------------|------|-----------------|-----------------|------|----------|-------|
| Country | Production (MT) | % | Country | Production (MT) | % | Hectares | Yield |
| Brazil | 26.9 | 19% | EU-27 | 16.0 | 35% | 5.4 | 2.98 |
| EU-27 | 21.4 | 15% | China | 12.7 | 27% | 7.0 | 1.83 |
| India | 21.1 | 15% | Canada | 8.5 | 18% | 5.0 | 1.71 |
| China | 9.4 | 7% | India | 5.8 | 13% | 6.6 | 0.87 |
| United States | 6.7 | 5% | United States | 0.6 | 1% | 0.4 | 1.53 |
| Mexico | 5.6 | 4% | Ukraine | 0.6 | 1% | 0.4 | 1.54 |
| Australia | 5.3 | 4% | Russia | 0.5 | 1% | 0.5 | 1.09 |
| Thailand | 4.8 | 3% | Australia | 0.5 | 1% | 0.7 | 0.71 |
| Pakistan | 2.6 | 2% | Pakistan | 0.3 | 1% | 0.2 | 1.30 |
| South Africa | 2.6 | 2% | Bangladesh | 0.3 | 1% | 0.3 | 0.82 |
| World | 144.9 | 100% | World | 46.2 | 100% | 26.8 | 1.73 |

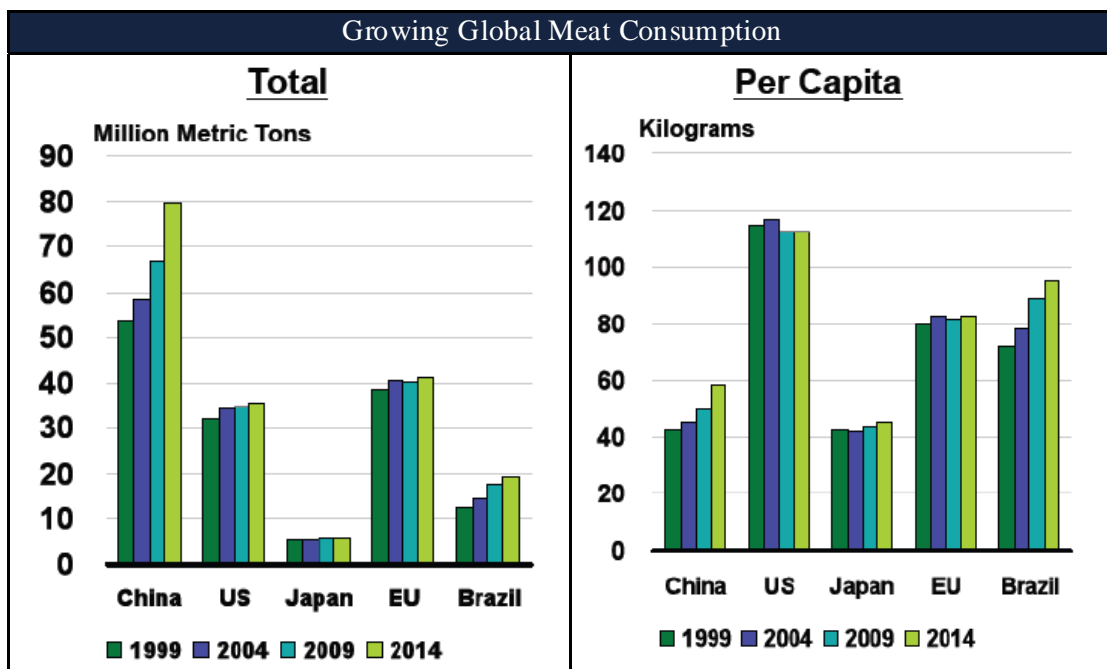
Source: USDA Foreign Agricultural Service's Production, Supply & Distribution Database, Credit Suisse.

Ag Processors

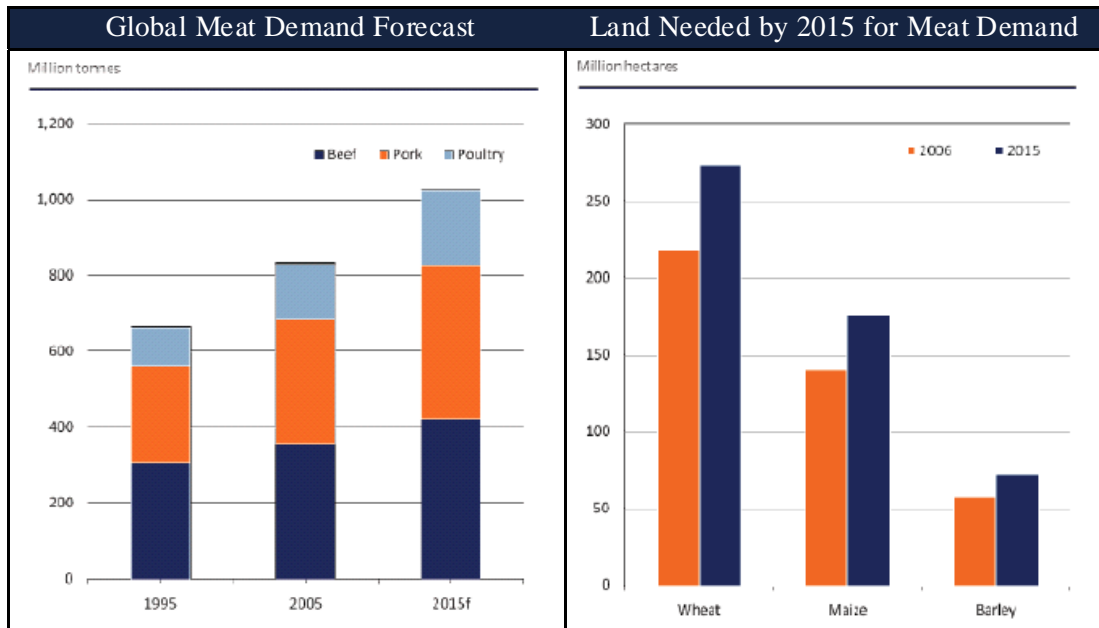
This sector grouping includes sugar processors, corn/ethanol processors, oilseed processors, and diversified agribusiness companies. There are 69 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$112 billion.

Protein Production/Processing

Protein production and processing includes companies in the following industry sectors: pork, poultry, beef, fish, and dairy. As we discussed previously, protein consumption tends to rise with income levels. Moreover, we believe the emergence of a growing middle class in large populated regions of the world is driving increased protein consumption. According to the OECD, meat consumption in developing countries is anticipated to represent more than 80% of expected world growth, and production of meat products is forecasted to grow by 1.7% annually through 2016. There are 126 companies that Passport focuses on in this sector grouping, with a combined market capitalization of more than \$165 billion. The following charts illustrate the increasing demand for meat and the increasing importance of production.



Source: Pioneer Market Economics.



Source: Rabobank.

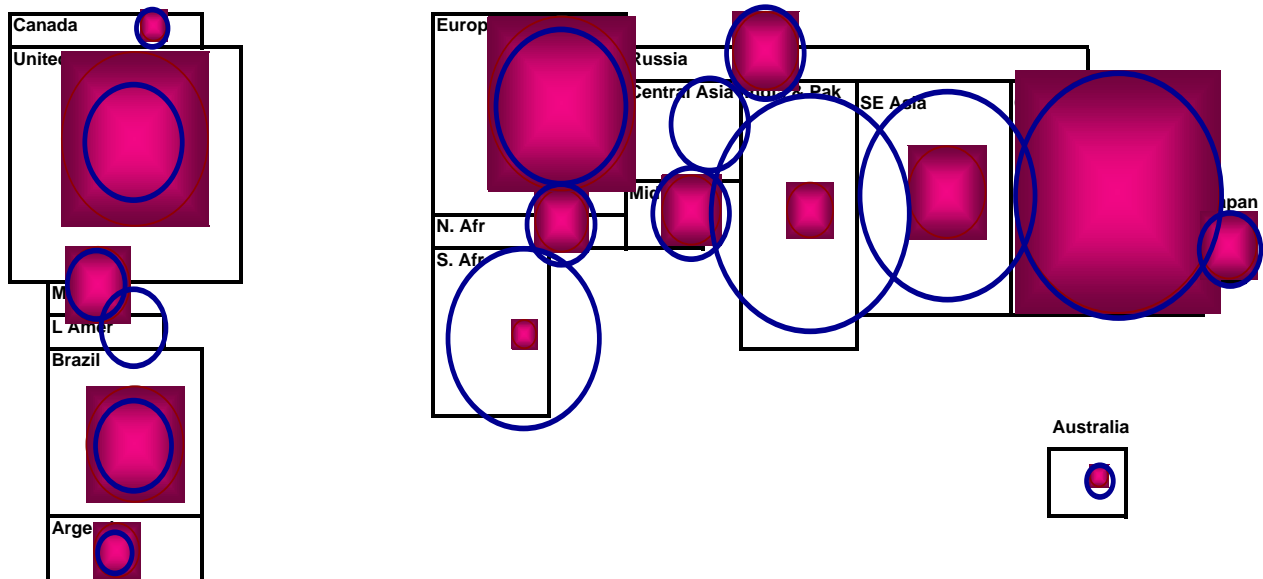
The following chart graphically depicts the industry facts previously presented. The chart shows the size of each country's farmland versus its meat consumption versus its population. This chart also puts into perspective the importance of Asia's imports of agricultural products.

Cropland Versus Meat Consumption Versus Population

Rectangles: World Cropland adjusted for productivity

Shaded Circles: Fed Meat Consumption

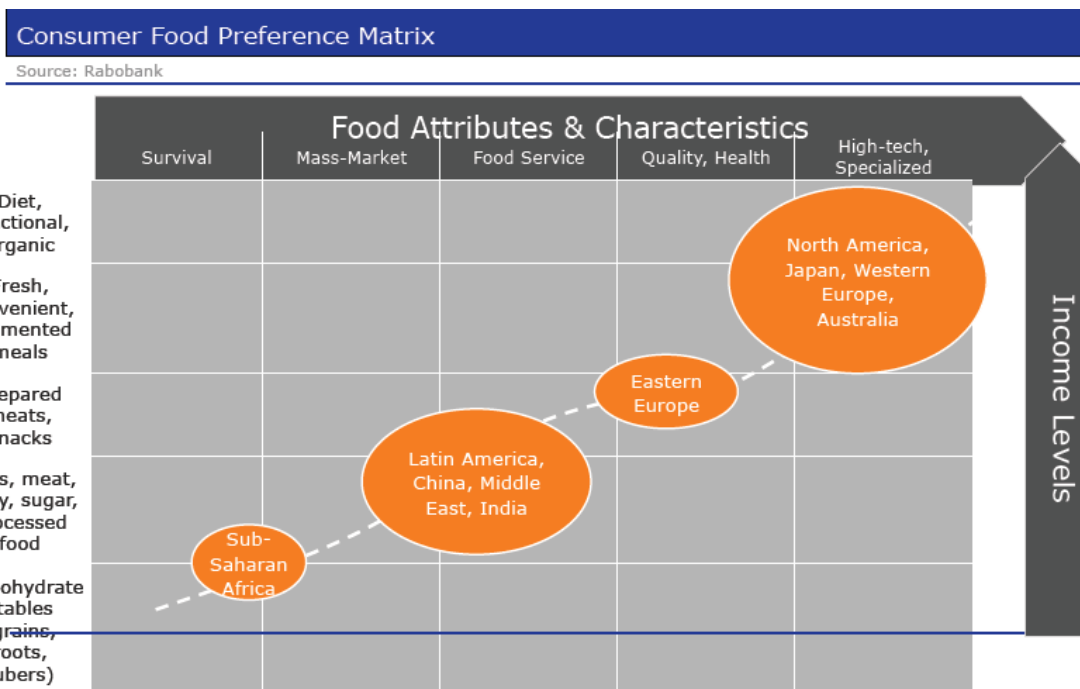
Blue Rings: Population



Source: PRX – ProExporterNetwork.

Food and Beverage Processors

This segment includes both packaged foods and beverages. Increased population and higher income levels should drive more volume through this part of the food chain. Individual company profitability is typically cyclical, depending on ingredient/commodity input prices, quality of the company’s strategy, assets, and management’s execution. In addition, consumer preferences will play an important factor, as depicted in the Consumer Food Preference Matrix below. Companies in this part of the food chain not only provide attractive investment opportunities, but they also provide information that is useful for projecting future demand of various ag commodities and in providing “best in class” rankings of suppliers (companies further up the food value chain) and buyers (food distributors/retailers). Sectors include diversified foods, baking/confectionary, condiments/snacks, cereal, specialty/organic, produce/canned vegetables, beverages, brewers, distillers, and vintners. There are 211 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$1.2 trillion.



Food Distributors/Retailers

The retail segment is comprised of grocers, specialty/organic grocers, hypermarkets, restaurants, and food service companies supplying restaurants. These companies purchase from processors or directly from companies further back in the food supply chain. Companies in this part of the food chain are the ultimate customers for the entire food chain. As these companies evolve to meet consumer preferences, they can have substantial impacts on the previous parts of the food chain, and therefore it is important to be actively involved in monitoring these companies. As an example, when McDonald’s took a slice of cheese off its value meal burger and added walnuts to its salads, the impacts were substantial on companies in various parts of the food chain. There are 140 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$765 billion.

Transportation/Logistics

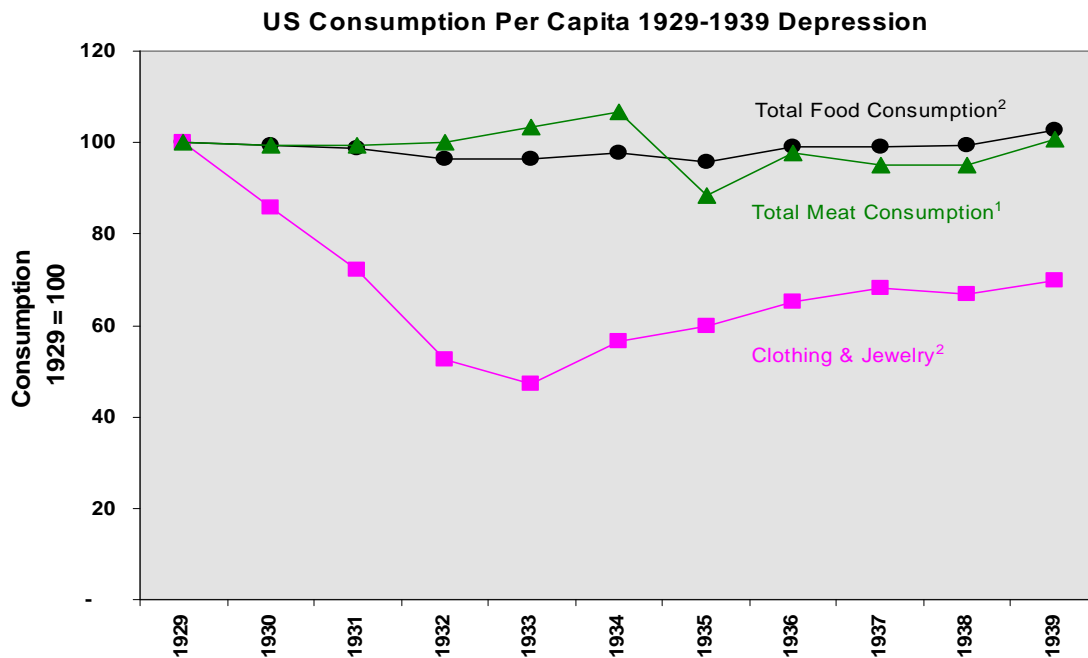
This segment in the food chain connects producers and their commodities and food products with respective customers located around the world. Sectors include railroads, trucking, and shipping companies. There are 28 companies that we focus on in this sector grouping, with a combined market capitalization of more than \$158 billion.

Recessions, Depressions, and Effects on Food Consumption

Problems in the United States are having ripple effects on a global scale. France, Germany, Italy, Japan, and the UK are all experiencing a recession, and several developing countries are currently on the edge, including China, countries in the Middle East, numerous countries in Latin America, Russia, Hungary, and South Korea, among others. Most economists agree that the global economy has entered into the biggest and most widespread global downturn since 1980. A global recession is upon us, reflective of a 1-2% growth rate.

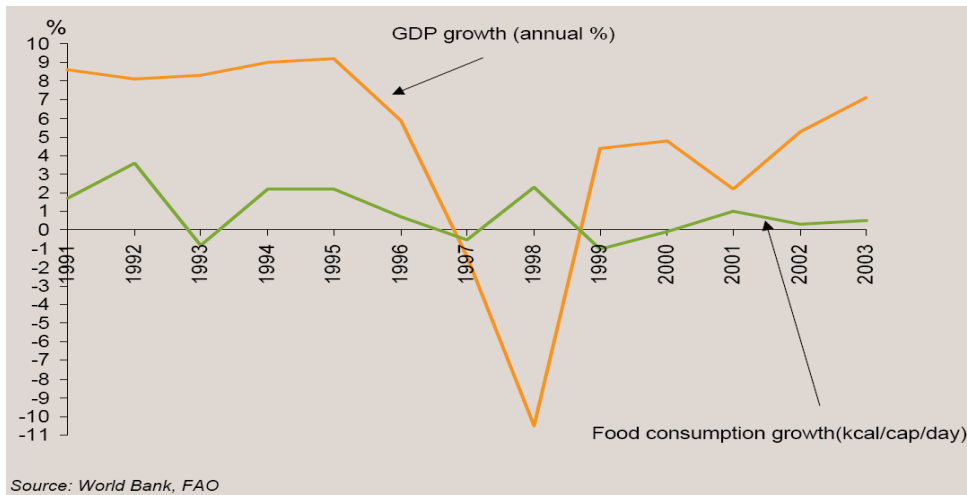
During times of economic contraction, food demand has tended to remain relatively stable in comparison to other goods and services; eating is a primary necessity. As a result, during times of economic contraction, food industry profits often do not decline as significantly as those in other industries, making the industry relatively recession-proof.

As shown in the chart below, during the Great Depression from 1929-1939, purchases of clothing, jewelry, and other discretionary goods and services fell by as much as 50%. Food purchases—and specifically meat purchases—on the other hand, remained relatively stable.



Source: (1) USDA Economic Research Service, (2) Historical Statistics of the United States, Colonial Times to 1970, Dept of Commerce, Series G-881.

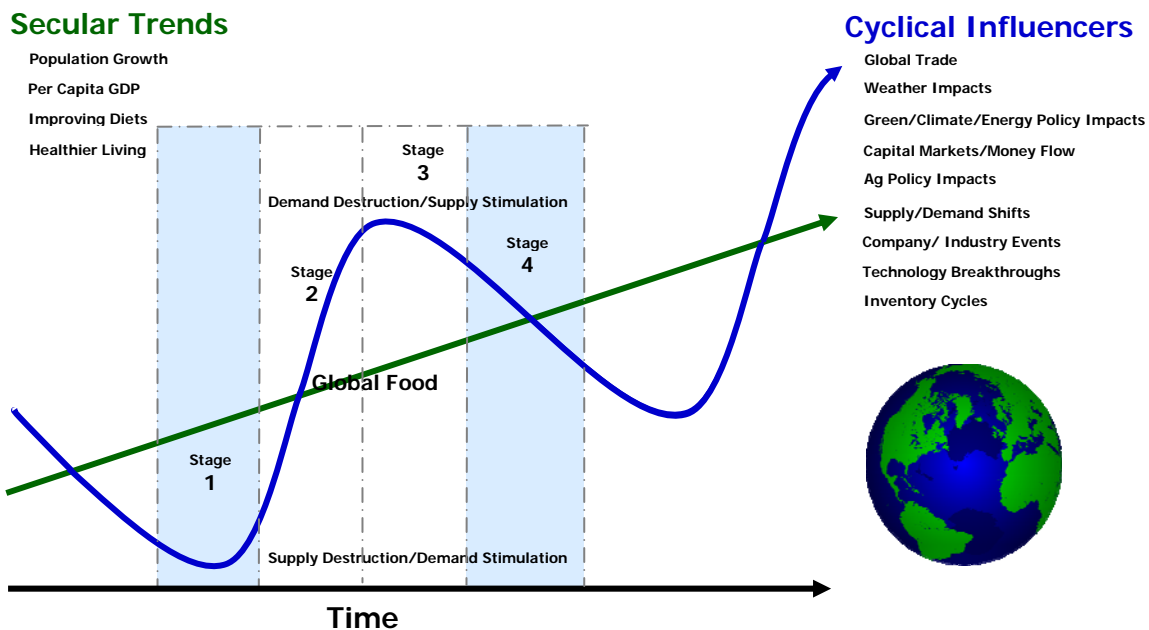
Similarly, during the Asian Crisis of 1998–2001, while emerging stock markets plummeted and economies collapsed, demand for food in these regions remained constant, as seen in the chart below.



The slowdown in income growth worldwide may temporarily reduce the growth of food demand and reduce exports of agricultural products. However, even in a recession, global per capita GDP growth can still be positive. China’s per capita GDP, moreover, could still be growing at 5-7% or more annually. Additionally, we believe the circumstances of the global recession—which include tight credit and reduced asset values—can create opportunities to invest in the food and agriculture sector, with prospects for high risk-adjusted returns.

Agricultural Commodities: Secular Trends and Cyclical Influencers

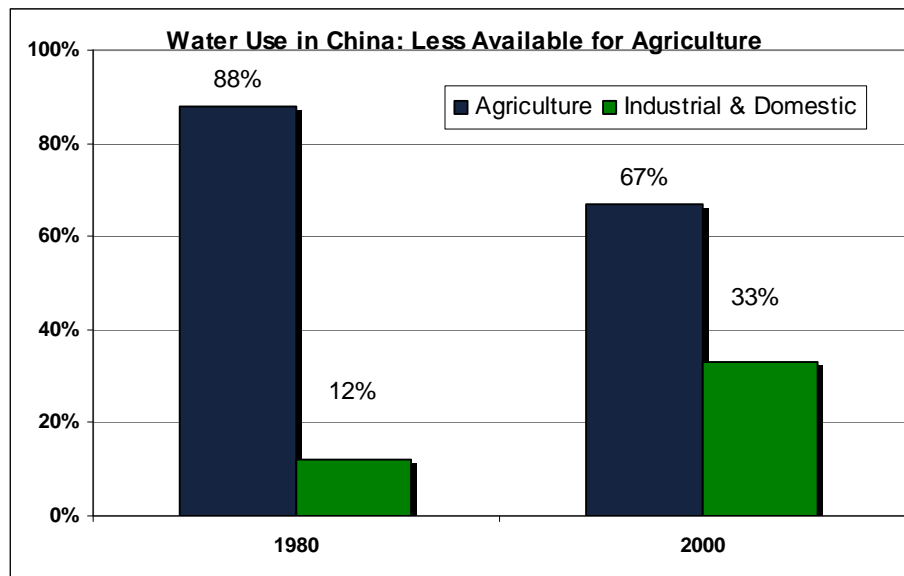
We believe that increasing volumes of agriculture products are inevitable, and so are the cycles within the various sectors that make up the supply chain “Dirt to Dinner Table.” Within the food chain, there are more than 50 subsectors that all have distinct supply and demand characteristics, and therefore a unique sine curve, as profiled below. While one sector’s profits are cycling down, other sectors should benefit and will be cycling up, with increased profits. A recent example of this is that while grain prices have been cycling down, poultry production/companies have been cycling up with outstanding profits due to lower feed cost and less competition.



From Brazil to China: A case study on shortages and why crop prices will likely remain high

Agriculture represents the main use of water worldwide, accounting for about 70% of water consumption on average.

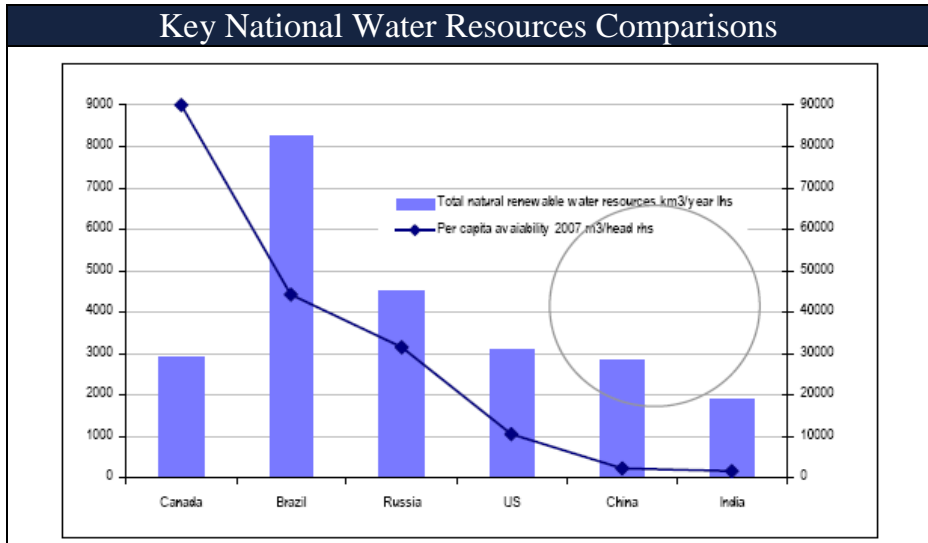
The industrialization of China has many effects on its food supply. China's increasing GDP/capita has caused protein/grain demand to increase at the same time its water availability has been decreasing. It is expected that this trend will continue, since the long-term economic outlook for China remains strong. In its most recent *World Economic Outlook* report (April 2009), the IMF predicts that China will return to 10+% annual GDP growth by 2011. As seen in the chart below, such rapid growth should continue to put pressure on China's water reserves.



Source: FAO.

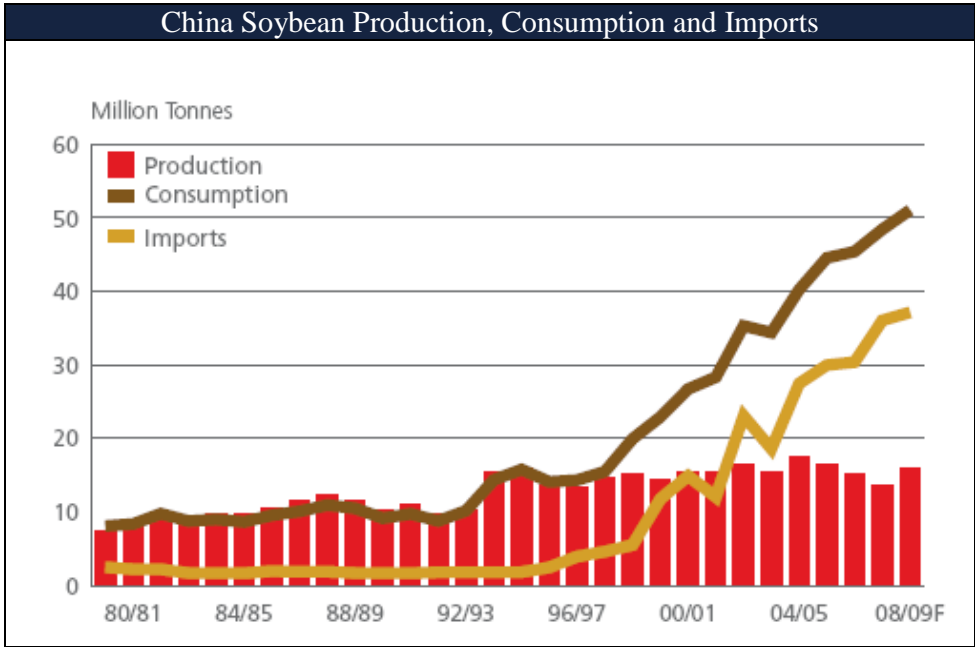
Both China and India have major long-term structural water issues. For China:

- Over-extraction of groundwater and falling water tables are problems in China, particularly in the north. According to the Chinese Ministry of Construction, preliminary statistics show that there are more than 160 areas nationwide where groundwater has been over-exploited, with an average annual groundwater depletion of more than 10 billion cubic meters. As a result, more than 60,000 square kilometers of ground surface have sunk, with more than 50 cities suffering from serious land subsidence.
- Water use in Chinese urban areas is considered widely inefficient, with water consumption per unit of industrial output five to ten times higher than that of developed countries.
- There is increasing competition for surface water, and the Yellow River is so over-exploited that it has not reached the sea in many years.
- Poor water quality due to pollution has become a widespread issue due to continuous industrial emissions, chemical spills, and an inadequate wastewater treatment infrastructure. Large portions of China's aquifers suffer from arsenic contamination.



Source: UN FAO.

Chinese domestic production of soybeans has been relatively flat for many years due to a lack of available arable land. The amount of arable land in China for its four major crops (wheat, rice, corn, and soybeans) also has not grown in 15 years. Nor, thanks to less-than-modern farming techniques, have yields increased. In the meantime, China soybean consumption has continued to grow uninterrupted at a rate of about 12% over the past 10 years. China has addressed this issue of ever-increasing demand for food and water by resorting to importing increasingly higher quantities of soybeans.



Source: PotashCorp, USDA.

If China were to grow enough soybeans to become self-sufficient, we believe it would require approximately 24 million additional hectares (approximately the size of Nebraska) of land, and the corresponding water to grow these crops. Currently, the four major crops in China use about 90 million hectares of farmland. By importing massive amounts of beans, as it does today, China is effectively importing about 14% of its water needs. Brazil is long water (and arable land), and China is short water

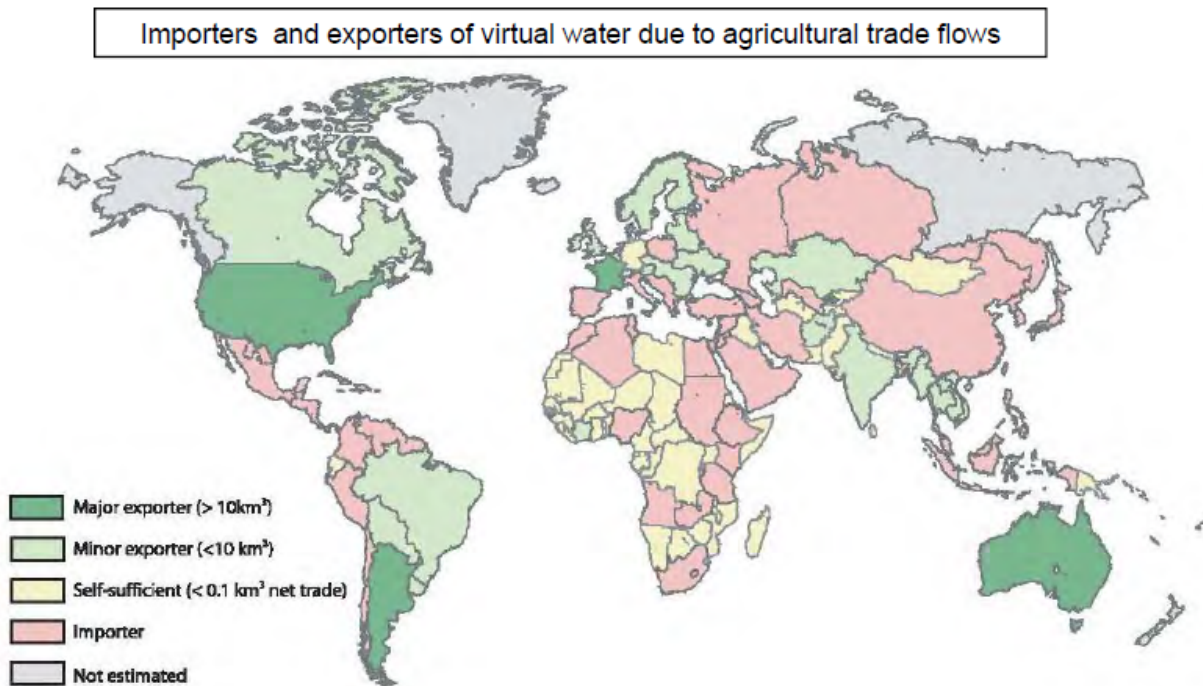
(and arable land), and the most efficient way to transport this water from Brazil to China is via a capsized vessel full of soybeans. (One tonne of soybeans requires 1500 tonnes of water to grow.)

Water requirements for main food products are listed below.

| Product | Unit | Equivalent water in kg/unit |
|--------------------------|------|-----------------------------|
| Fresh Beef | Kg | 15,000 |
| Fresh Lamb | Kg | 10,000 |
| Fresh Poultry | Kg | 6,000 |
| Cereals | Kg | 1,500 |
| Citrus Fruits | Kg | 1,000 |
| Palm Oil | Kg | 2,000 |
| Pluses, roots and tubers | Kg | 1,000 |

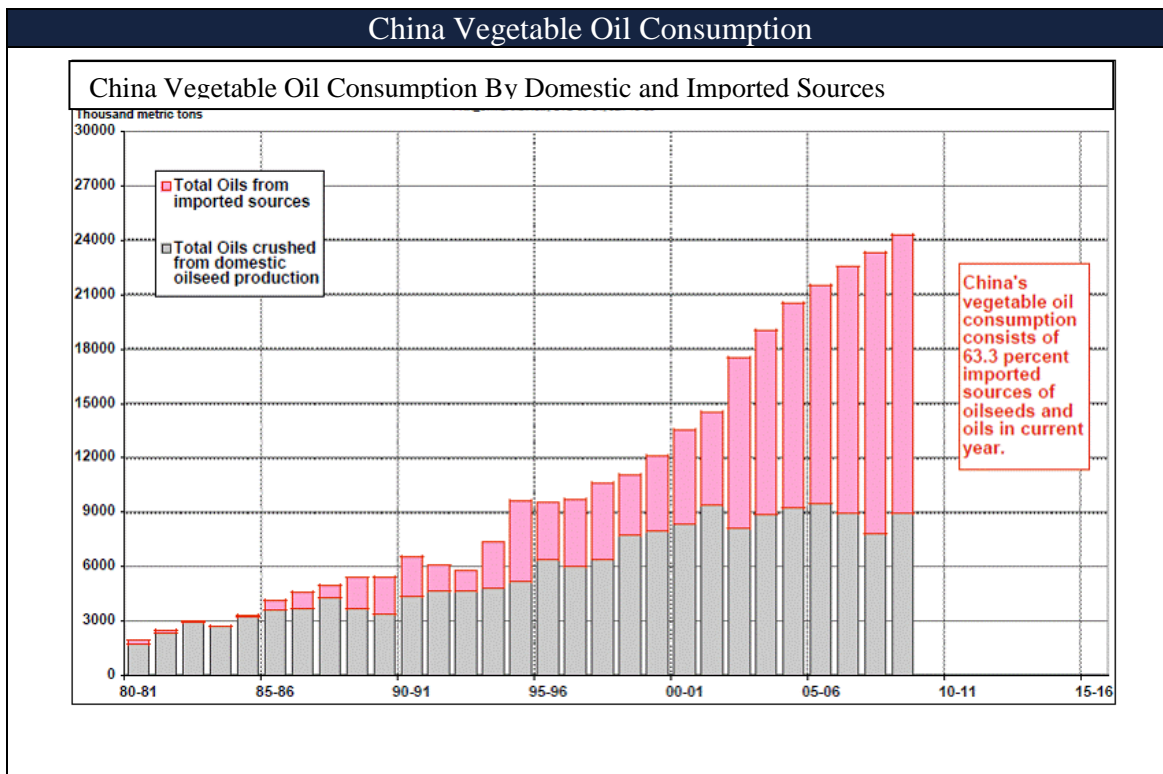
Source: UNEP, 1st World Water Development Report (2003).

The below chart shows how countries like China are importing water while countries like Brazil are exporting water-based products.



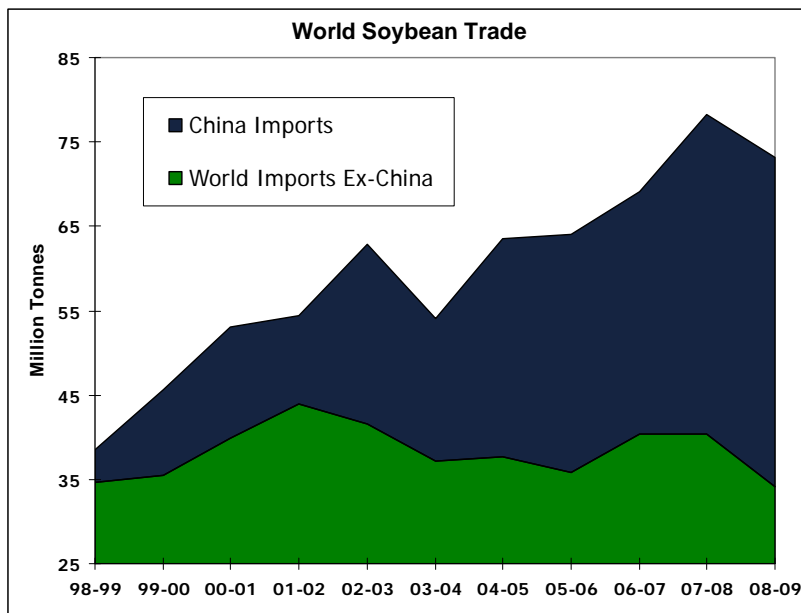
Source: IWMI

The same is true for vegetable oil, a derivative of soybeans. As seen below, China's domestic production of vegetable oil has not been able to grow.



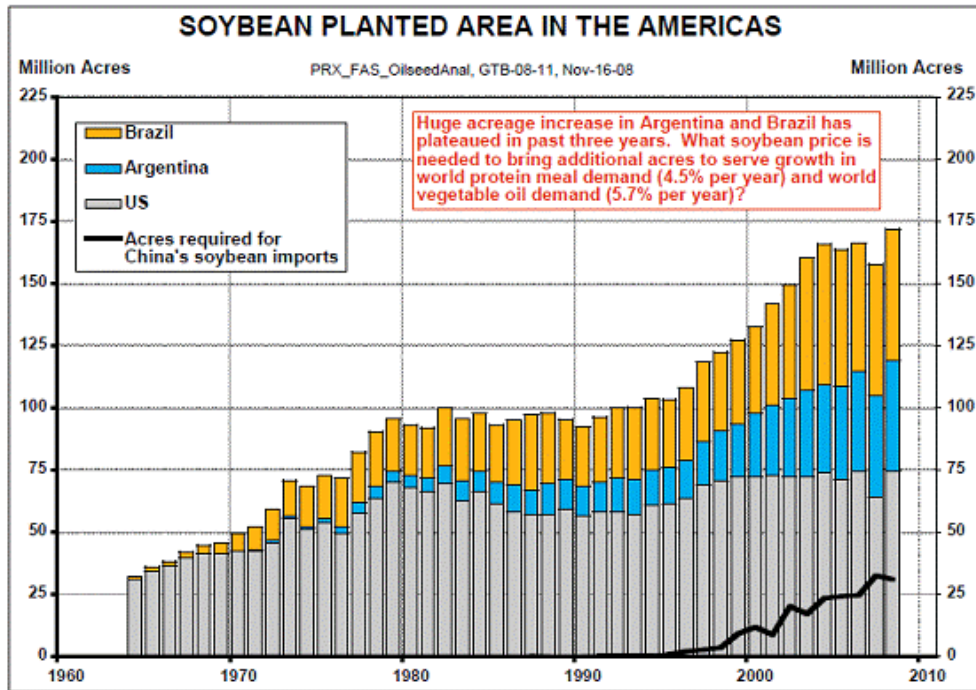
Source: PRX.

This demand step change has transformed the traded market for soybeans; it has caused China's demand and its internal supply constraints to be the major driving force in world trade.



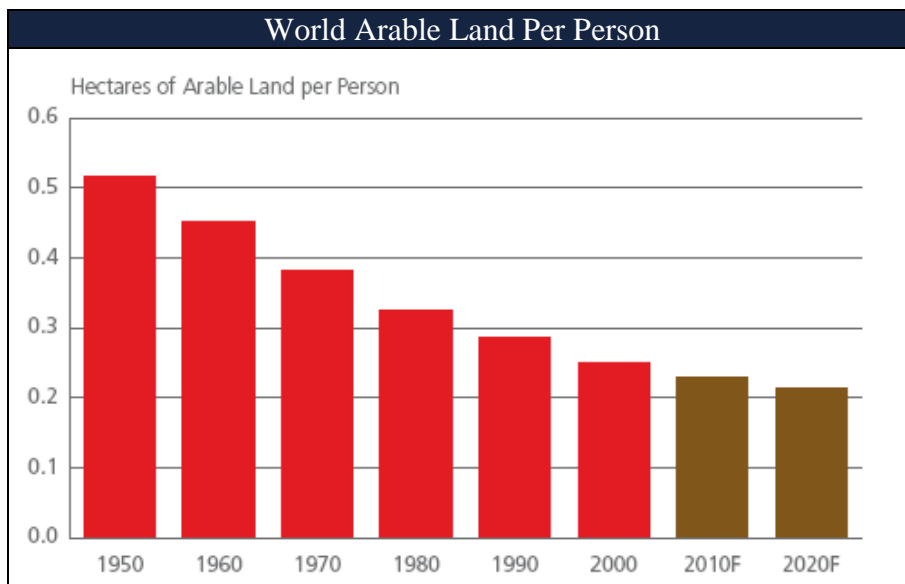
Source: PRX, USDA.

This increase in demand from China has been met by new acres being planted in Brazil and Argentina. This is evidenced by the fact that soybean yields in Brazil have been relatively flat for the last ten years, which means that yield enhancements alone were not enough to produce the additional quantities of soybeans required by China.



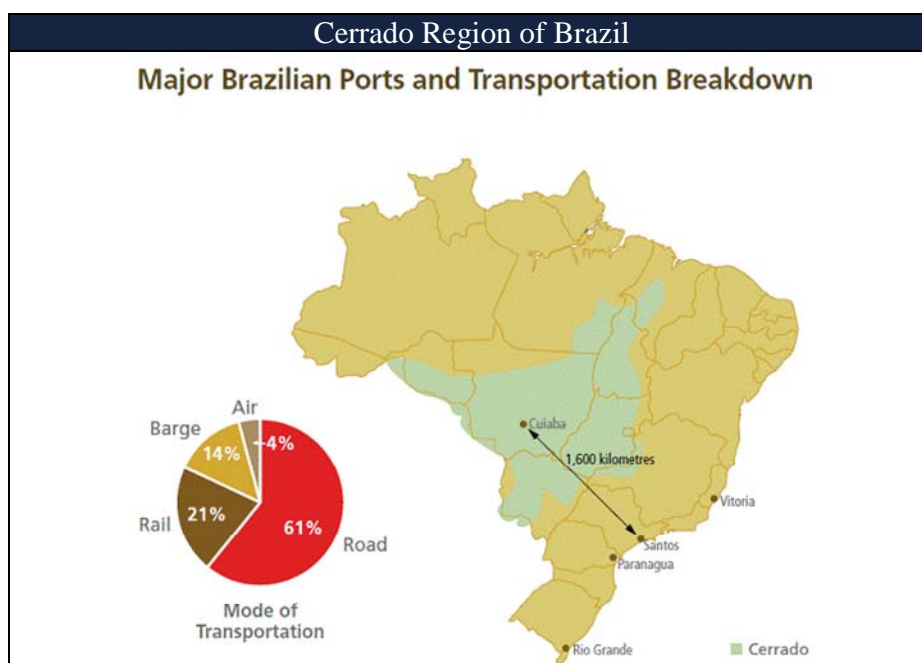
Source: PRX/ProExporter Network

As urban areas of the world expand—using up more prime agricultural land, per the chart below—arable land per person in the world decreases.



Source: PotashCorp, USDA

However, there are new regions of the world that, at the right price, will be able to respond to this problem. The Cerrado region of Brazil is expansive (250 million acres, about the same size as all US farmland), and has excess water and a great climate to respond to this need for more acres.



Source: PotashCorp, ANDA, Google Maps.

The Cerrado is extensive, but needs significant capital investment to be transformed from savannah land into farmland. This requires minor amounts of clearing, but significant expenditure on fertilizers (phosphate and potash) to bring soil fertility to the levels needed to grow soybeans. As detailed in the table below, compared to an average acre of farmland in the United States, an average new acre in the Cerrado requires 14x the amount of phosphate and 3x the amount of potash to become productive.

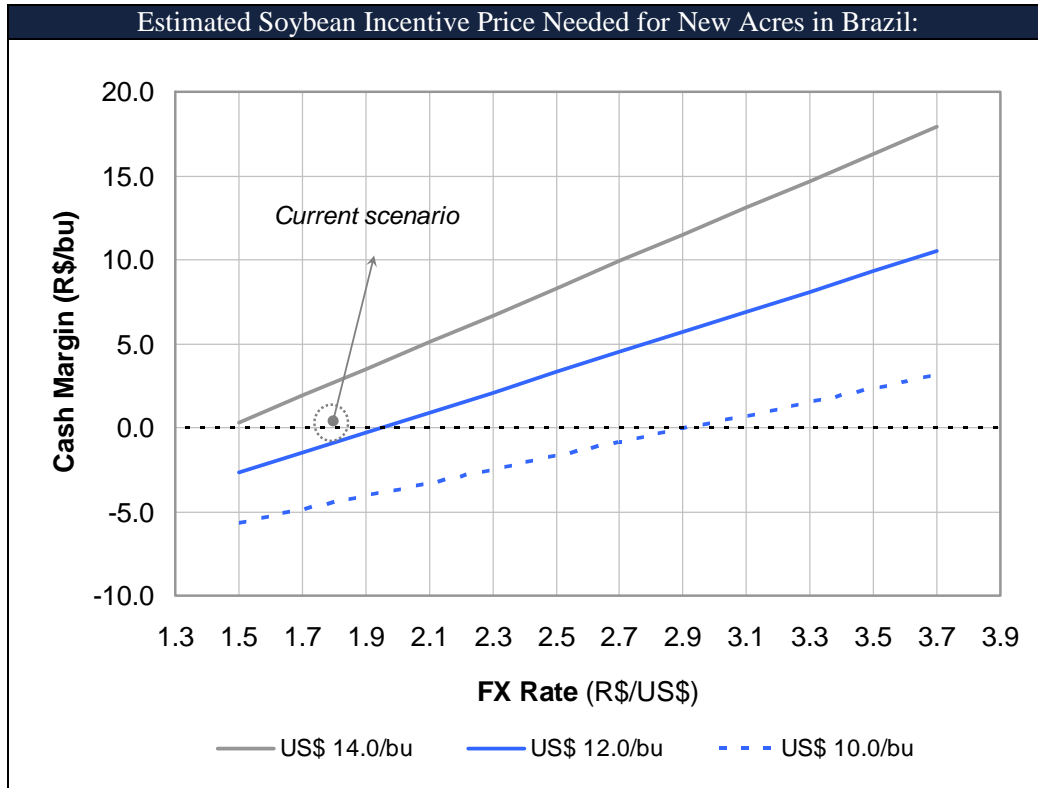
| Fertilizer Requirements in the Cerrado vs. the United States | | | | |
|---|----------|---------------|--------------|-------------------|
| Annual Application for Soybeans - US vs. Cerrado | | | | |
| New area: (kg/ha) | | | | |
| <i>Crop</i> | <i>N</i> | <i>P</i> | <i>K</i> | Total (kg) |
| Cerrado | | 320 | 150 | 470 |
| Typical US farm | | 50 | 88 | |
| Cerrado/US farm | | 6.42x | 1.70x | |
| Soil Correction (Capex) for New Land in the Cerrado | | | | |
| New area (kg/ha) | | | | |
| <i>Crop</i> | <i>N</i> | <i>P</i> | <i>K</i> | Total (kg) |
| Soybean | | 393 | 117 | 510 |
| Typical US farm | | 50 | 88 | |
| Cerrado/US farm | | 7.89x | 1.32x | |
| Total | | | | |
| New area (kg/ha) | | | | |
| <i>Crop</i> | <i>N</i> | <i>P</i> | <i>K</i> | Total (kg) |
| Soybean | | 713 | 267 | 980 |
| Typical US farm | | 50 | 88 | |
| Cerrado/US farm | | 14.31x | 3.02x | |

Source: SLC Agricola and Morgan Stanley.

This current and future demand for both phosphate and potash is, in Passport's view, one of the best ways to invest in China's need for food and water.

In addition to the invested capital needed to bring these acres on, infrastructure issues—in particular the lack of sufficient road and rail access—and poor soil fertility pose significant challenges. This means that these acres in the Cerrado region have higher operating costs than existing acres elsewhere in the world do.

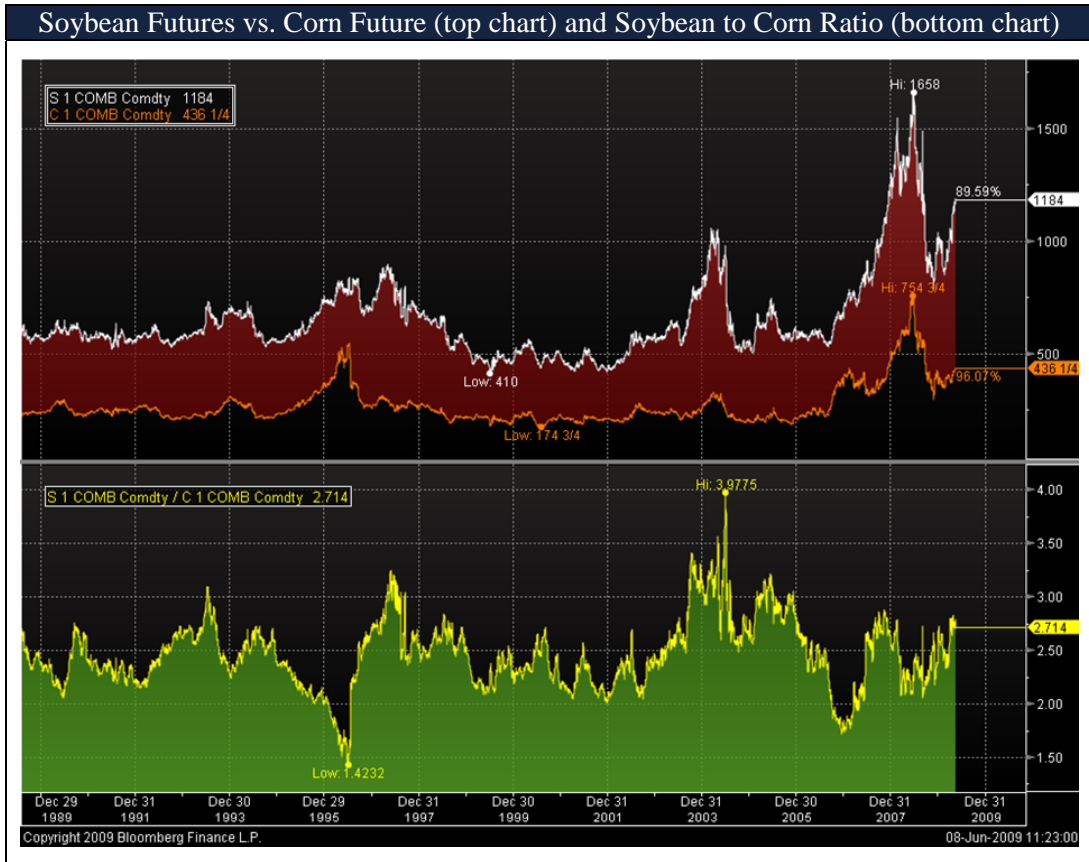
In Passport’s view, these two factors require prolonged higher soybean prices to bring on this new supply as illustrated below.



Source: Morgan Stanley.

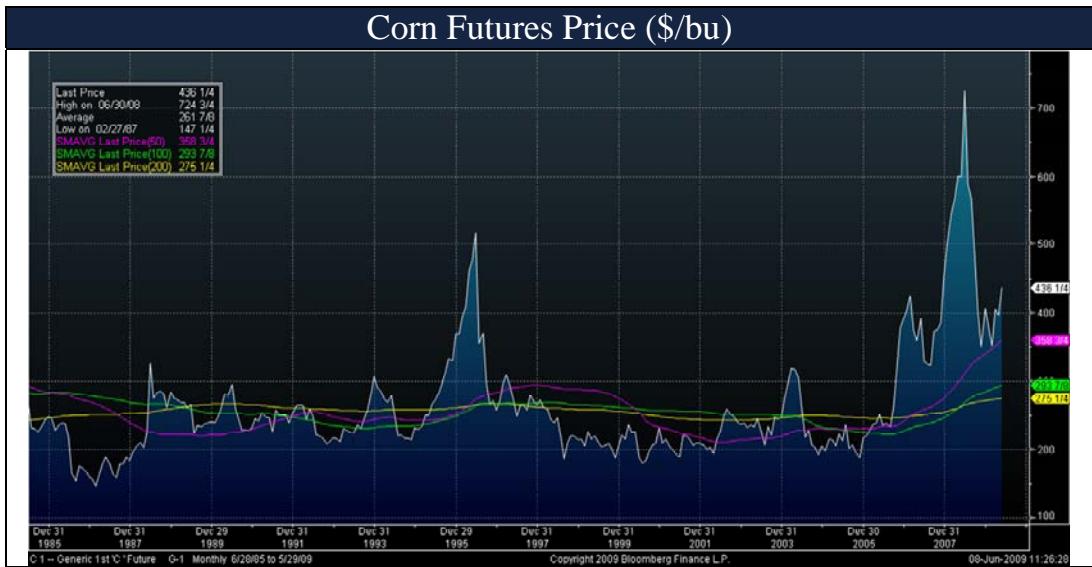
The “incentive price” of \$12-\$14/bushel that is needed to bring on new acres should create an environment of long-term higher prices.

Because there are acres in the United States that can grow either soybeans or corn (the so-called “battle for acres”), the relationship between the prices of both commodities is fairly direct, as shown in the chart below. Historically, the ratio has been about between 2 and 2.5 times soybean/corn. This is because an acre in the United States on average can produce approximately 150 bushels of corn or 40 bushels of soybeans.



Source: Bloomberg as of June 8, 2009.

As a result of this relationship, \$12/bu soybeans equates to \$4.80/bu for corn. The “incentive price” for the marginal acre of soybeans in Brazil should create an environment in which corn prices stay far above historical levels (see chart below for historical levels). But recent high prices for nitrogen fertilizer have put corn at an even greater disadvantage to US soybeans (which require relatively little fertilizer, unlike in Brazil). Consequently, soybeans may be the more profitable crop to grow in the US, with soybean to corn ratios at 2.25 times or less.

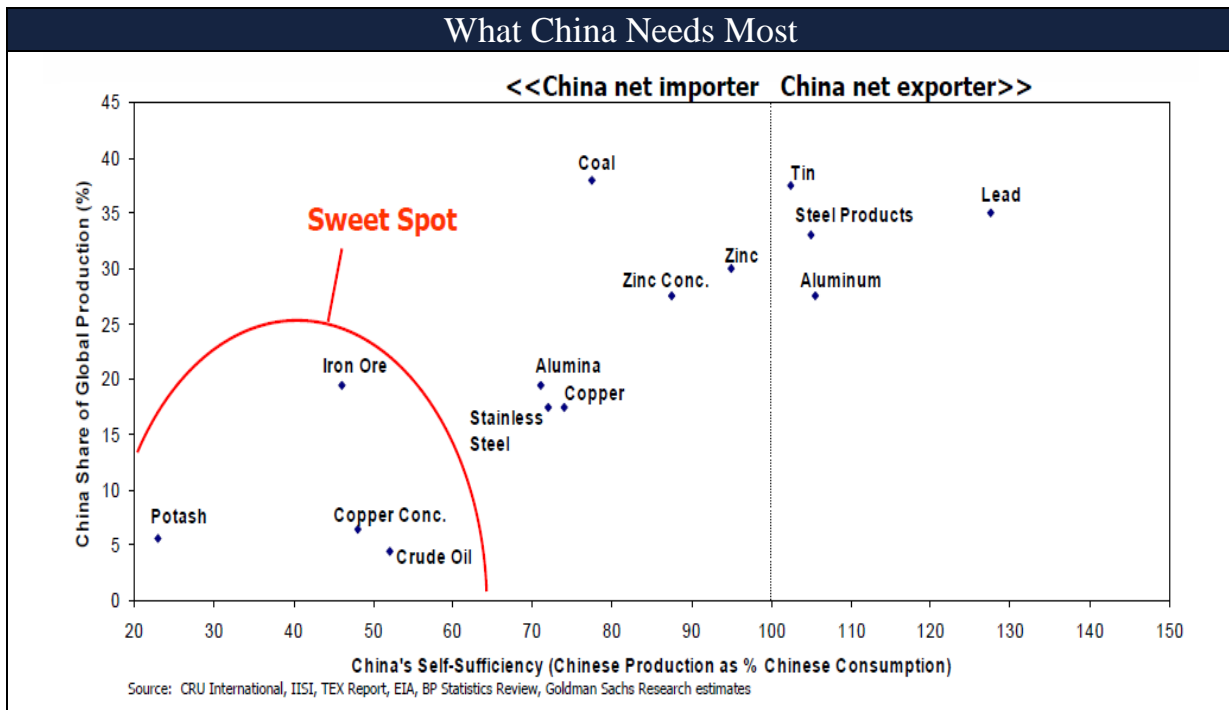


Source: Bloomberg as of June 8, 2009.

We believe the Chinese have a choice: they can increase the domestic yields of all major crops by 1) using better farming methods, 2) becoming more efficient at using their domestic sources of water, 3) increasing their use of inputs (fertilizers, seeds, crop chemicals), or 4) continuing to import their food and its embedded water needs from regions of the world that have excess water and land from places like the Cerrado region of Brazil. Regardless, the world is going to need more ag inputs (i.e. ag equipment, fertilizer, etc.) and grain to feed itself.

Whichever choice the Chinese make (or economic necessity makes for them), we believe we are in an industry with strong tailwinds that are not as economically sensitive to OECD demand as the most recent volatility in the various agricultural commodity markets would suggest.

It is impossible to ignore fundamental drivers that make this industry a place that Passport feels deserves our attention. If recent history is a guide, it is bound to be extremely volatile and we feel that volatility should be actively managed. This theme fits into our overall macro view of “being long what China is short” in a very profound way.



Source: Goldman Sachs.

Case Study: Fertilizers

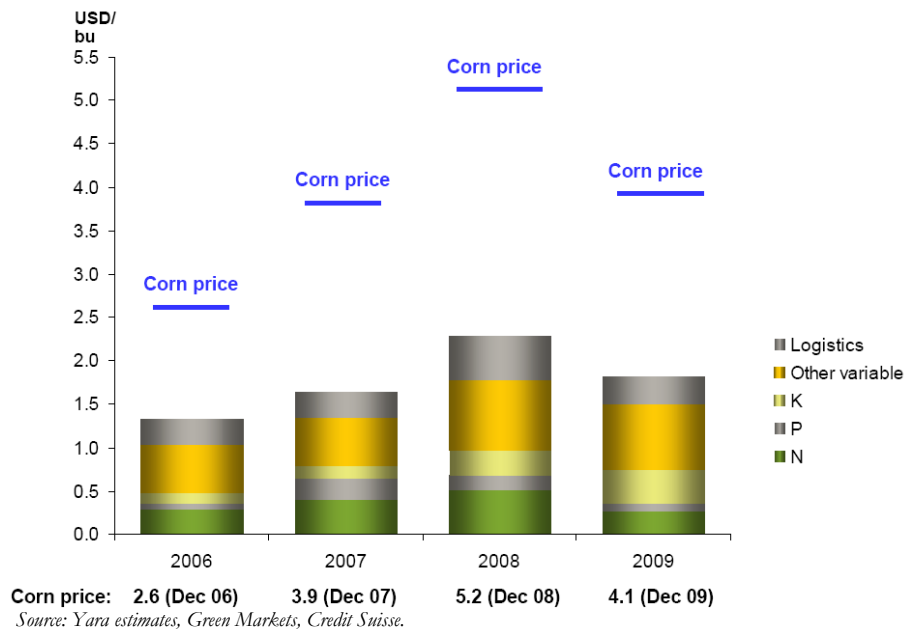
Based on our research, we are particularly attracted to the pricing power of fertilizer producers when considering the current supply/demand scenario in agriculture.

Passport's analysis:

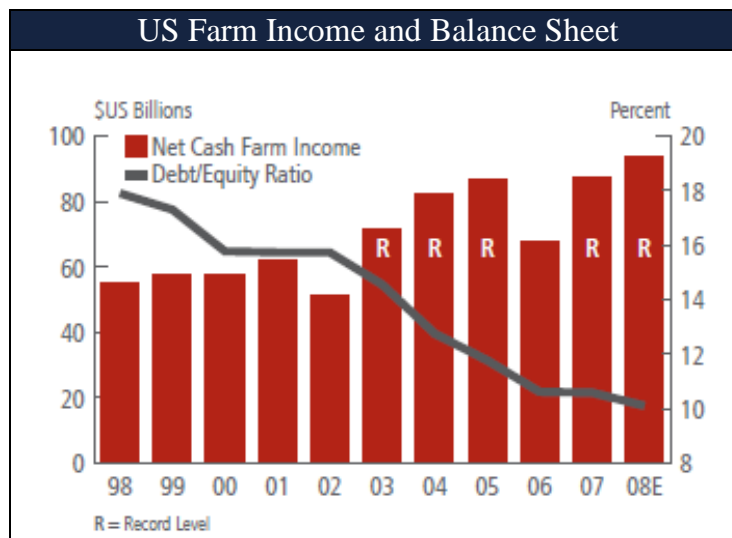
There are many different types of farms, with different economics, but, in general, higher grain prices have improved the economic situation of farmers (operator and land profitability increased more than 100%) even as key inputs such as seed, fertilizer, and fuel have increased significantly. The largest single item to have increased in price is fertilizers, which is where we have focused our investment efforts.

There are three main nutrients that are used in fertilizers: nitrogen (N), phosphate (P) and potash (K). Nitrogen-based fertilizers are produced using natural gas and/or coal, while phosphate fertilizers originate from phosphate rock mines. Potash is mined or evaporated from brines.

The average farmer has strong incentives to apply more fertilizer to increase yields and produce healthier crops. He is also able to pay more for the fertilizer and still make an excellent return. Looking at the chart below, you can see that, even with higher fertilizer costs and variable costs, the average farmer can earn approximately \$2 per bushel, down from \$3 in 2008 but double the historical average of \$1 per bushel.



With high profits and a strong balance sheet, we believe the US farmer can afford higher input prices, regardless of economic and credit conditions.



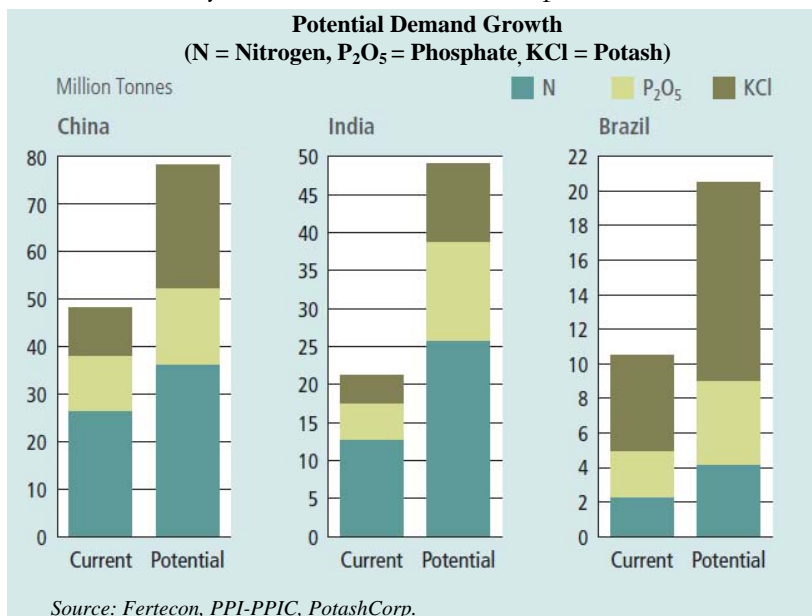
Source: USDA, PotashCorp.

Potash -- Basic Description

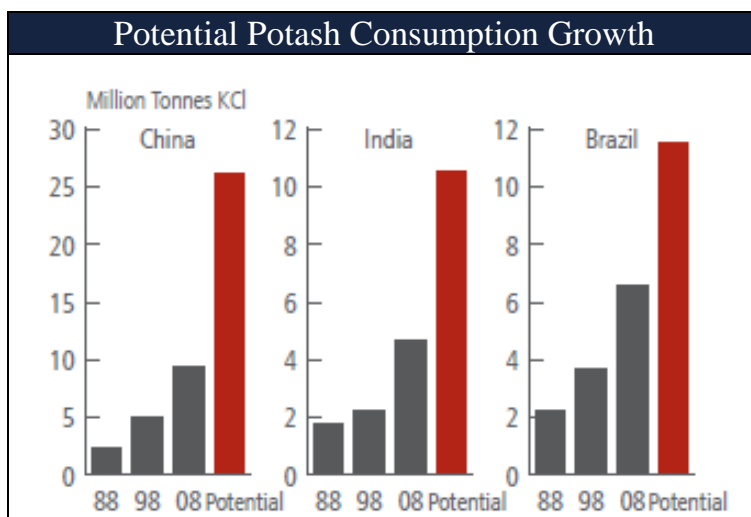
Depending on the crop, potash helps improve root strength and fight disease. It also enhances the taste of the crop. Most importantly, it helps improve yield. Potash is approximately a 55 mm tonne/year market. The majority of the production, approximately 70%, comes from Canada and the FSU countries, including Russia and Belarus.

Demand

Our research indicates that the majority of new demand comes from countries that are unable to produce significant amounts of potash, such as three of the developing “BRIC” (Brazil, India, and China) countries. The increase in grain prices has led to a more scientific approach to farming in these developing countries. Historically, under-application of fertilizers in the BRIC counties allowed local farmers to achieve only a fraction of the yields of their US counterparts. As the farmers in developing countries focus on yield optimization, their use of potash should increase. Even though farmers in North America and Western Europe have been applying optimal levels of potash for some time, and though there is little growth from these markets, the “theoretical demand” of potash from the BRIC countries is significant when compared to the current market size, as seen in the chart to the left. The theoretical additional demand of 30 mm tonnes provides a strong tailwind for a long time to a 55 mm tonne market. We believe it is not unreasonable to assume 2 mm tonnes per year growth in demand for 15 years. Two million tonnes per annum is the production capacity of a world-class mine with approximately 15-20 mines currently in production.



Two million tonnes per annum is the production capacity of a world-class mine with approximately 15-20 mines currently in production.

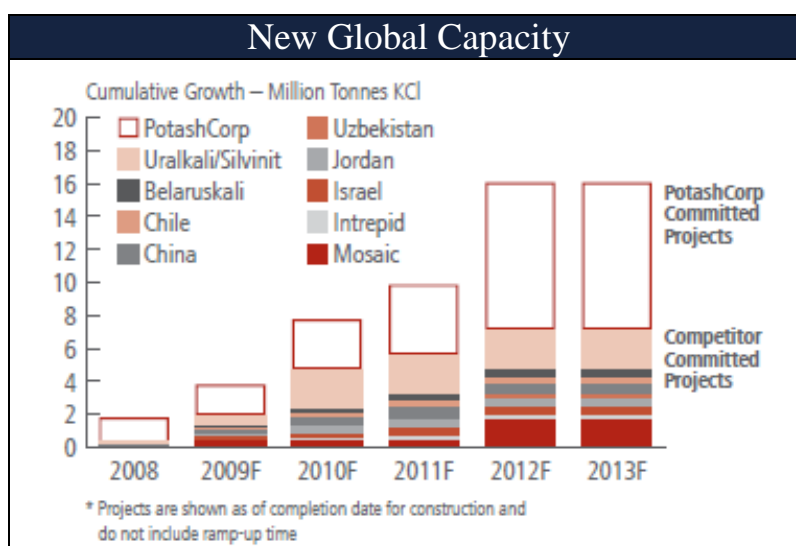


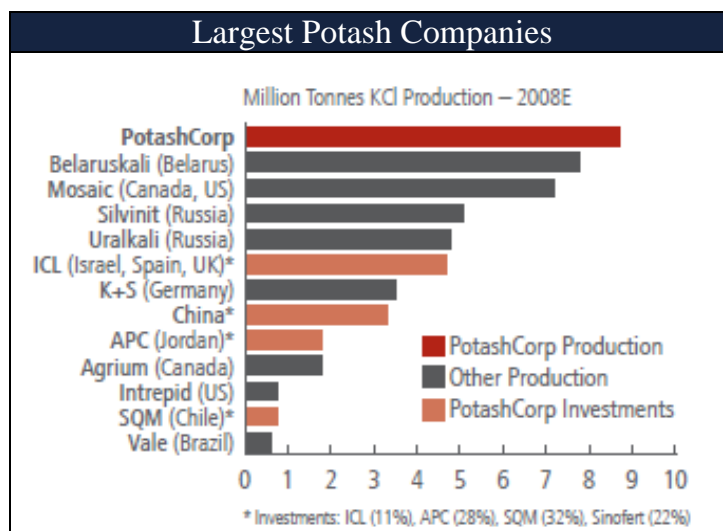
Source: IPNI, Fertecon, IFA, PotashCorp.

Supply

The potash industry has interesting market dynamics; the industry is conducive to bottlenecks and to the potash producers' capturing a lot of future economic rent. The entire market is about 55 mm tonnes of product, with demand growing at two to four million tonnes per year. With a normal commodity, for which numerous companies have the ability to expand capacity, an adequate supply response is not uncommon. However, the supply of potash is highly concentrated, and, due to the nature of potash mining, it is difficult for new entrants to get into the business.

As noted by the Potash Corporation of Saskatchewan, incremental capacity in the industry is expensive and time consuming. Potash is a bulk commodity, and the constraint to production of the typical potash mine is the amount of ore that can be hauled up the shaft. Once this capacity is maximized, the only way to add capacity is to add another shaft, an expensive (\$1,000/tonne KCL) and time-consuming five-year process. The majority of the world's producers have little excess capacity; it is relatively easy to determine the specific planned capacity, since there are few expansions and each is limited by the size of the underground shafts. Today, the only company with significant excess capacity is Potash Corp.





Source: Fertecon, IFA, PotashCorp.

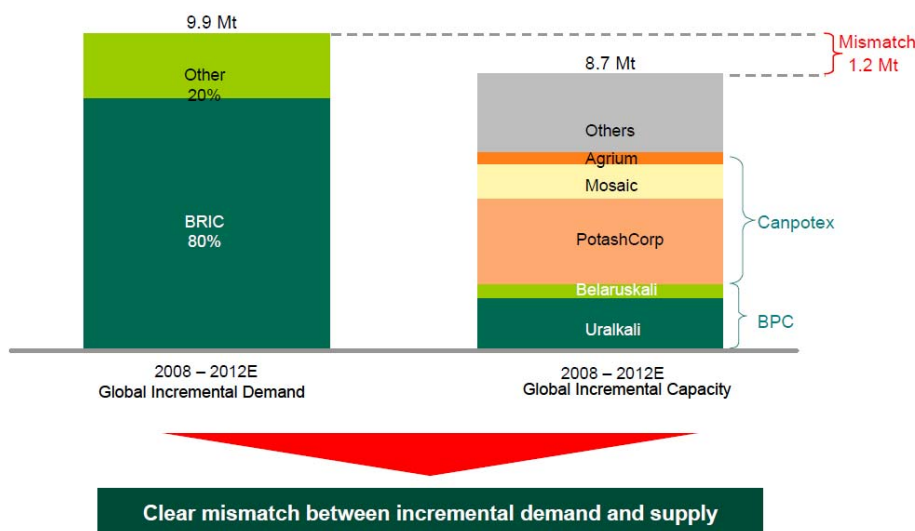
The 2005/2006 time frame is the most significant example of the impact of the limited supply. With “demand” down ~10%, prices remained firm and in fact went up.

Supply Additions by Source, 2008-2013

| | 2008E | 2009E | 2010E | 2011E | 2012E | 2013E |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Anticipated Supply Delta | 1,689 | 3,158 | 2,838 | 2,357 | 2,530 | 2,850 |
| Expansion by Canpotex Companies | 550 | 1,610 | 500 | 1,650 | 1,750 | 2,250 |
| | | 57% | 50% | 56% | 59% | 62% |
| Expansion by Belaruskali | 425 | 225 | 1,500 | 0 | 0 | 0 |
| Cumulative % of total | | 13.4% | 28.0% | 21.4% | 17.1% | 13.9% |
| Expansion as a % of total | 63.6% | 70.4% | 77.9% | 77.3% | 75.6% | 76.3% |

Source British Sulfur, Company reports, Fertecon, TD Newcrest, Passport Capital estimates.

The future of the supply side of the equation is conducive to supporting higher prices, in our view. As displayed above, the estimated future demand for potash over the next five years is greater than the known projects. Even if the demand estimates are incorrect, there is not only the margin of safety inferred by the mismatch, 1.2mm tonnes, but there is also a limited number of suppliers with expansion capacity who can thus have an impact on the rate of supply expansion.



Source: Uralkali April 2008, BPC, Fertecon, IFA.

Case Study Conclusion

In our view, the world's tight supplies of food are not going to end anytime soon; the accompanying high grain prices have increased the sustainable profitability of the average farmer. We believe fertilizer producers, and particularly the potash producers, stand to grab a disproportionate share of this economic rent. The supply restraint shown by the large producers of potash, combined with demand growing at approximately two million tonnes—or one world-class producing project per year—should bode well for the major potash suppliers.

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- THE FOREGOING REFLECTS PASSPORT MANAGEMENT, LLC'S ("PASSPORT") PARTICULAR VIEWS, BELIEFS AND ASSESSMENTS BASED ON PASSPORT'S RESEARCH, OBSERVATIONS, AND ANALYSES, SUBJECT TO THE ATTACHED DISCLOSURES AND RISK CONSIDERATIONS AND THOSE SET FORTH IN THE FUND DOCUMENTS.
- THESE MATERIALS ARE PROVIDED FOR GENERAL INFORMATION PURPOSES ONLY BY PASSPORT IN CONNECTION WITH A CONFIDENTIAL PRIVATE PRESENTATION DESCRIBING PASSPORT'S AGRICULTURE INVESTMENT STRATEGY. THESE MATERIALS ARE NOT INTENDED TO BE RISK-DISCLOSURE DOCUMENTS AND ARE SUBJECT IN THEIR ENTIRETY TO DEFINITIVE DISCLOSURE AND OTHER DOCUMENTS (COLLECTIVELY, THE "FINAL DOCUMENTS") THAT WILL BE PROVIDED PRIOR TO ANY INVESTMENT IN A PASSPORT FUND ("THE FUND").
- THESE MATERIALS MAY CONTAIN FORWARD-LOOKING STATEMENTS THAT ARE BASED ON PASSPORT'S EXPERIENCE AND EXPECTATIONS ABOUT THE MARKETS IN WHICH THE FUND INVESTS AND OPERATES. FORWARD-LOOKING STATEMENTS ARE SOMETIMES INDICATED BY WORDS SUCH AS "ANTICIPATES," "EXPECTS," "BELIEVES," "SEEKS," "MAY," "INTENDS," "PLAN," "SHOULD," "ATTEMPTS," "WILL" OR THE NEGATIVE OF THESE TERMS OR OTHER SIMILAR EXPRESSIONS. UNDUE RELIANCE SHOULD NOT BE PLACED ON SUCH FORWARD-LOOKING STATEMENTS AS SUCH STATEMENTS SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO MANY RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT. ACTUAL RESULTS MAY DIFFER, AND SUCH DIFFERENCES MAY BE SIGNIFICANT. NEITHER THE FUND NOR PASSPORT UNDERTAKES ANY OBLIGATION TO REVISE OR UPDATE ANY FORWARD-LOOKING STATEMENT FOR ANY REASON, UNLESS REQUIRED BY LAW. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THESE MATERIALS ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT.
- THESE MATERIALS DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY OR SELL ANY SECURITIES, AND ARE QUALIFIED IN THEIR ENTIRETY BY THE INFORMATION CONTAINED IN THE FINAL DOCUMENTS. PROSPECTIVE INVESTORS ARE ADVISED TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM PASSPORT CONCERNING THE FUND AND TO OBTAIN ANY ADDITIONAL INFORMATION THEY CONSIDER NECESSARY FOR THEIR DECISION TO INVEST WITH PASSPORT THROUGH THE FUND.
- WHILE INFORMATION USED IN THESE MATERIALS MAY HAVE BEEN OBTAINED FROM VARIOUS PUBLISHED AND UNPUBLISHED SOURCES CONSIDERED TO BE RELIABLE, NEITHER PASSPORT NOR ANY OF ITS AFFILIATES GUARANTEES ITS ACCURACY OR COMPLETENESS AND ACCEPTS NO LIABILITY FOR ANY DIRECT OR CONSEQUENTIAL LOSSES ARISING FROM ITS USE. THIS INFORMATION IS CONFIDENTIAL AND INTENDED SOLELY FOR THE USE OF PASSPORT AND ITS AFFILIATES AND THE CLIENT OR PROSPECTIVE CLIENT TO WHOM IT IS PRESENTED. IT IS NOT TO BE REPRODUCED OR DISTRIBUTED TO ANY OTHER PERSONS EXCEPT TO THE RECIPIENT'S PROFESSIONAL ADVISORS.
- IN MAKING THEIR DECISION TO INVEST IN THE FUND, PROSPECTIVE INVESTORS SHOULD RELY SOLELY UPON THEIR OWN INDEPENDENT INVESTIGATION, INCLUDING A REVIEW OF THE FINAL DOCUMENTS. NEITHER PASSPORT NOR ANY OF ITS AFFILIATES, EMPLOYEES, OR AGENTS ARE AUTHORIZED TO MAKE ANY REPRESENTATIONS OR WARRANTIES INCONSISTENT WITH OR IN ADDITION TO THOSE CONTAINED IN THE FINAL DOCUMENTS. STATEMENTS MADE HERE WITH RESPECT TO THE FUND ARE NOT NECESSARILY COMPLETE, AND ALL INFORMATION CONTAINED IN THIS PRESENTATION IS SUBJECT TO UPDATING, CHANGE, COMPLETION, REVISION, AMENDMENT AND FINAL VERIFICATION.
- THE INVESTMENT OPPORTUNITIES DESCRIBED HEREIN HAVE GENERALLY NOT BEEN REGISTERED FOR SALE TO THE PUBLIC IN ANY JURISDICTION AND WILL NOT BE MADE AVAILABLE FOR INVESTMENT EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. THE INVESTMENT OPPORTUNITIES DESCRIBED HEREIN ARE NOT GUARANTEED BY PASSPORT OR ITS AFFILIATES.
- THE FUND MAY NOT ACHIEVE THE DESIRED RESULTS DUE TO IMPLEMENTATION LAG, OTHER TIMING FACTORS, PORTFOLIO MANAGEMENT DECISION-MAKING, ECONOMIC OR MARKET CONDITIONS OR OTHER UNANTICIPATED FACTORS. THE VIEWS AND OPINIONS EXPRESSED IN THESE PRESENTATION MATERIALS ARE AS OF SEPTEMBER 21, 2009, ARE SUBJECT TO CHANGE WITHOUT NOTICE, MAY NOT COME TO PASS AND DO NOT REPRESENT A RECOMMENDATION OR OFFER OF ANY PARTICULAR SECURITY, STRATEGY, OR INVESTMENT.
- THE INVESTMENT ENVIRONMENT AND MARKET CONDITIONS MAY BE MARKEDLY DIFFERENT IN THE FUTURE AND INVESTMENT RESULTS WILL FLUCTUATE.
- ANY SPECIFIC PORTFOLIO SECURITIES IDENTIFIED AND DESCRIBED IN THESE MATERIALS DO NOT REPRESENT ALL OF THE SECURITIES PURCHASED OR SOLD BY THE FUND, AND THERE SHOULD BE NO ASSUMPTION THAT INVESTMENTS IN SUCH SECURITIES IDENTIFIED AND DISCUSSED IN THESE MATERIALS WERE OR WILL BE PROFITABLE.

RISK CONSIDERATIONS

- NO ASSURANCE CAN BE GIVEN THAT THE FUND'S INVESTMENT OBJECTIVE WILL BE ACHIEVED. AN INVESTMENT IN THE FUND IS SUBJECT TO SIGNIFICANT RISKS AND IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL FINANCIAL MEANS WHO HAVE NO NEED FOR IMMEDIATE LIQUIDITY IN THIS INVESTMENT.
- THE FUND USES SOPHISTICATED INVESTMENT TECHNIQUES, AND MAY NOT BE SUITABLE FOR ALL INVESTORS. THE FINAL DOCUMENTS WILL DESCRIBE IN MORE DETAIL RISKS OF INVESTING IN THE FUND, AND PROSPECTIVE ADVISORY CLIENTS MUST READ THE DOCUMENTS CAREFULLY BEFORE INVESTING WITH PASSPORT THROUGH THE FUND.
- ANY PERSON CONSIDERING MAKING AN INVESTMENT MUST BE ABLE TO BEAR THE RISKS INVOLVED AND MUST BE ABLE MEET CERTAIN SUITABILITY REQUIREMENTS. SOME OR ALL ALTERNATIVE INVESTMENT PROGRAMS MAY NOT BE SUITABLE FOR CERTAIN INVESTORS. AMONG SUCH RISKS ARE THE FOLLOWING: AN INVESTMENT IS SPECULATIVE AND INVOLVES A SUBSTANTIAL DEGREE OF RISK, AN INVESTMENT MAY BE LEVERAGED, PAST PERFORMANCE RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE, AND PERFORMANCE MAY BE VOLATILE, AN INVESTOR COULD LOSE ALL OR A SUBSTANTIAL AMOUNT OF HIS OR HER INVESTMENT, THERE IS NO SECONDARY MARKET FOR THE INVESTORS' INTERESTS IN THE FUND AND NONE IS EXPECTED TO DEVELOP, THERE ARE RESTRICTIONS ON TRANSFERRING INTERESTS IN THE FUND, FEES AND EXPENSES MAY OFFSET TRADING PROFITS. A PORTION OF THE TRADING MAY TAKE PLACE ON FOREIGN MARKETS; AN INVESTMENT IS SUBJECT TO CONFLICTS OF INTEREST.