

Cornerstone Asset Management L.P.

Global Government Bond
Investment Strategies & Opportunities



CORNERSTONE

February 2009





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Investment Opportunity

Cornerstone Capital Partners

- Founded in Toronto, Canada in 2003 as a 21st century financial services provider
- The firm focuses on the needs of high net worth private clients and institutions in North America
- Cornerstone Capital Partners owns Cornerstone Asset Management L.P. (an OSC/ICPM), Cornerstone Capital Partners L.P. (Limited Market Dealer and Advisor) and Stuart Investment Management Limited (an IIROC Registered Broker Dealer)
- Cornerstone Asset Management L.P. specializes in the management of segregated client accounts implementing a global government bond long/short investment strategy that addresses the current volatile phase of the economic cycle. Financial power is shifting among countries like never before
- Presently, quality fixed income markets present an opportunity to capture outsized gains in both principal and interest in high quality government bonds

► Focus is on

- Importance of real interest rates
- Preservation and “real” growth of wealth and capital
- An investment strategy that is simple, liquid and transparent

► Operating Philosophy

- Managers will short highly liquid government bonds of countries offering poor real yield value and pair with investments in the bonds of countries that offer very good real yield value

(Real yield = published nominal yield of a government bond - the country's inflation rate)



Why Real Interest Rate Investment Management?

Protecting purchasing power in times of rising inflation

- ▶ Expansion of the global middle class will drive the demand for commodities, consumables and capital for generations to come. The global middle class is expected to grow by 2 billion people by 2030, according to a Goldman Sachs report (7 July 2008); representing 70% of the global population
 - Malthus (author of *An Essay in the Principle of Population*) discovered in 1826, there is a direct relationship between a growing middle class and exponential demand for consumables
- ▶ The current global economic recession and credit crisis will result in historic levels of government deficit spending and cause a crowding-out of private sector capital for many years to come. This record government spending will cause real interest rates on government bonds to rise as most countries compete to attract capital
- ▶ The substantial increase in government bond issuance will cause real interest rates to rise
- ▶ Central banks are increasing money supply dramatically which will factor into rising inflation



Investment Objectives and Priorities

- ▶ Utilizing global government bonds for wealth enhancement and preservation of purchasing power
- ▶ Capturing spread differentials in real interest rates as they converge and diverge within and among industrial, developed and emerging government bond markets
- ▶ Investing in global government backed credits with very liquid markets
- ▶ Capturing real yield differentials, (an example)
 - *Investing in German 10-year government bonds and selling Italian 10-year government bonds in anticipation that the yield spread between the two will widen dramatically as the euro causes extreme economic and financial difficulties that can cause the break-up of the euro*



- ▶ Long macro investments in specific government bond markets with converging real interest rates
- ▶ Long/short country real yield differential changes
- ▶ Long/short conventional versus inflation-linked bonds
- ▶ Long/short domestic government bond yield curves
- ▶ Using interest rate and inflation-linked swaps to add value
- ▶ Using futures and options strategies to add tactical value to core investment positions in government bond markets
- ▶ Using foreign exchange derivatives to manage foreign exchange risks



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A Seasoned & Experienced Team

- ▶ Messrs. Hyman and Kiernan ‘cut their teeth’ in the international fixed income markets in London in the 1980’s and 1990’s. Michael Hyman gained experience in global government bond management which produced top-quartile, inflation adjusted returns
 - Michael Hyman’s London based firm GH Asset Management (1988 to 1998) was consistently top-ranked as a global government bond manager
 - Jamie Kiernan has 33 years of global fixed-income experience with Goldman Sachs in the U.K., U.S., Far East and Canada
 - Patrick Farrell has 32 years experience in corporate finance and investment consulting for major international corporations and supra-national organizations such as the International Finance Corporation, and other quasi-governmental bodies



Michael H. Hyman

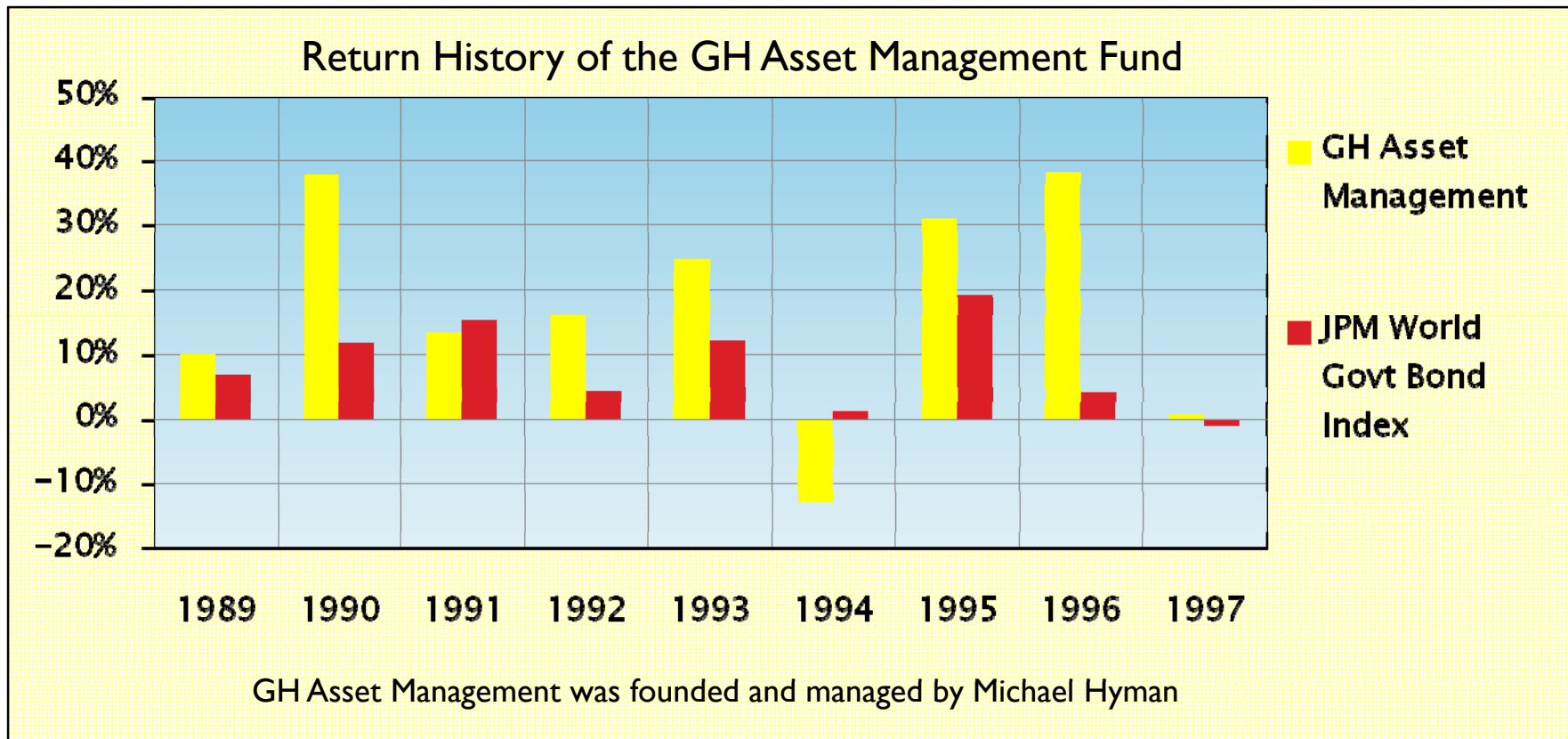
Michael graduated from The London School of Economics in 1982. He started managing fixed income portfolios in London for Cigna International Investment Advisors in 1983. He then founded GH Asset Management in January 1988 and managed global fixed-income portfolios until the firm was sold to Aberdeen Asset Management in 1998. He has a proven track record, earning the number one PIPER fixed-income global ranking for the challenging five year period, ending 1997. He has authored two books, “The Power of Global Capital” (Thomson, 2004), chronicling Michael’s money management days, and “New Ways for Managing Global Financial Risks – The Next Generation” (John Wiley, 2005), solutions for financial survival. Michael is a Fellow of the Securities Institute (FSI) in United Kingdom.

James T. Kiernan

Jamie has worked in the financial services industry for thirty-two years. He started at Goldman Sachs as a Fixed Income intern in 1976 and was named Vice-President, London, England in 1982. Upon returning to the United States in 1984, he was named International Fixed Income Product Manager. Jamie was named President of Goldman Sachs Canada in 1988 and became a Managing Director in 1997. In 2002, Jamie retired from Goldman Sachs after twenty-six years of continuous service. Presently, Jamie is President and Chief Executive Officer of Cornerstone Capital Partners L.P. which is the holding company owning Stuart Investment Management Limited (an IIROC broker/dealer) and Cornerstone Asset Management L.P. (OSC/ICPM). He is a past director of the Montreal Exchange and Canada-U.S. Fulbright Committee. He received a B.A. degree (European History) from Brown University and an M.B.A. degree from Harvard University.

Patrick V. Farrell

Patrick is a Professional Engineer by training with a post-graduate degree in business from the Harvard Business School, with special emphasis on Investment Banking, Capital Markets and International Business. For the past thirty-two years he has been involved in corporate finance and the capital markets, with past experience at major Canadian and international brokerage firms. Patrick has also performed consulting assignments for major international corporations and supra-national organizations such as the International Finance Corporation, and other quasi governmental bodies. He founded a registered Investment Dealer and was a Member/Seatholder on both the Montreal and the Alberta Stock Exchanges for five years, as well as sitting on the board of a number of public and private corporations.



	1989	1990	1991	1992	1993	1994	1995	1996	1997
GH Asset Management	10.1%	38.1%	13.4%	16.4%	25.1%	-12.7%	31.1%	38.6%	0.8%
JPM World Govt Bond Index	6.8%	11.8%	15.5%	4.6%	12.3%	1.3%	19.3%	4.4%	-1.1%

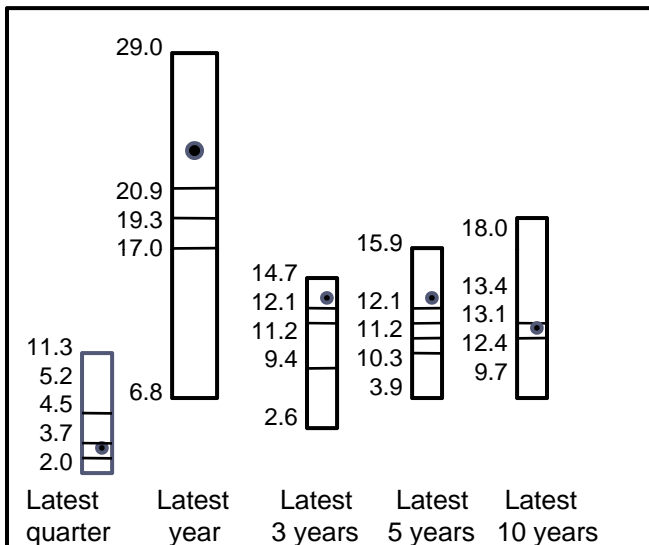


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March 4, 1996

PIPER fixed income global (Periods ended Dec. 31)



Fixed income and balanced performance

The PIPER universe includes more than 500 managers. Beyond the overall equity or fixed-income breakout, PIPER statistics are detailed further by specific product or investment style.

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Michael Hyman was the top ranked global fixed income fund manager by PIPER (the industry standard for manager rankings) for 5 consecutive years (1990-95) in a 500+ fixed income manager universe

Top 10 managers-1year

GH Asset.....	29.0
Cursor-Eaton/TCW.....	28.6
Pacific Invst. Mgmt.	23.8
Capital Guardian.....	22.7
Julius Baer Invst.....	21.7
Mercury Asset.....	21.3
BSS Asset (Universal)...	21.2
Brinson Partners.....	21.1
Baring Asset.....	21.0
Strategic Fixed Income..	20.9

Top 10 managers-5years

GH Asset.....	15.9
Strategic Fixed Income..	15.4
Capital Guardian.....	12.8
Miller Anderson & Sherrerd..	12.8
Pacific Invst. Mgmt.....	12.8
FischerFrancis(Unhedged)..	12.7
Paribas Asset (Act).....	12.5
Rogge Global.....	12.3
Kemper Invst.....	12.1
Morgan Grenfell.....	12.1

KEY

- Highest return
- First quartile
- Median
- Benchmark
- Third quartile
- Lowest return

BENCHMARKS

Domestic bonds-	Salomon Broad
International bonds-	Salomon Non-U.S. World Gov't.
Global bonds	Salomon World



The firm utilizes a robust, independent risk management methodology

Constraints would include the following:

- ▶ **Position Limitation:** No more than 10% of a specific government bond issue
- ▶ **Diversification:** No more than 30% of the total portfolio may be invested in the government bonds of countries other than those of the G-7
- ▶ **Credit risk:** The Manager may not invest in any securities with a sovereign rating of less than BB+ (as defined by Standard & Poor's)
- ▶ **Leverage:** As defined by client
- ▶ **Customization:** Client specific requirements can be accommodated



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