

ADVERTORIAL: CASTLESTONE MANAGEMENT



which offer genuine direct exposure. Many so-called agriculture funds invest in the stock of agriculture-related companies. These have a fairly low correlation to the prices of crops, and are affected by factors such as the rate of economic growth, the governance of individual companies and the health of regional stock markets.

Castlestone Management's agriculture fund

Aliquot Agriculture Fund began trading this month, and it is one of just a handful of actively managed funds investing directly in agriculture futures. Our 12-person investment team has 92 years of experience. We have been investing in commodities since 2001, and have been trading the Aliquot Agriculture Fund portfolio since 2005. It mirrors the agricultural exposure of our Aliquot Commodity Fund, and hence can offer investors a proven track record and an annual return since inception of 25.69%. That's more than triple the rate of a passive fund that simply tracks the AIG agriculture index.

The Fund will offer share classes in dollars, euros and British pounds. Unlike many competitors, it will also waive a management fee and charge only a performance fee to investors.

The case for investing in agricultural commodities has never been stronger.

Our mission is to deliver stable, long-term profits to our clients, minimizing risk while capturing market opportunities in the most effective way. We believe Aliquot Agriculture Fund offers a sensible alternative to volatile stocks, and a timely investment opportunity.

*According to Bloomberg data, using the AIG agricultural index versus the FTSE 100, US Dow Jones stock index and Euro Stoxx 50.

● The information contained in this page is for professional financial advisers only. Past performance cannot be relied upon as a guide to future performance. The price of shares and the income derived from them can go down as well as up and investors may not recoup the amount originally invested. Please refer to the relevant fund documentation for detailed information.

Agriculture

Helping portfolios grow

ABOUT CASTLESTONE MANAGEMENT

- An independent fund manager, specializing in alternative assets.
- Started as a family office in 1996.
- Now operates in five continents and manages about \$1 billion of assets.
- Unique experience in structuring investment products.
- Tailored products for financial intermediaries.
- More than 20 funds under management.
- Disciplined, structured investment approach.
- Full integration of investment management and client support.
- Attractive fee structures designed to maximize investor return.
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Castlestone Management's fund offers exposure to this top-performing asset class

The excellent returns available from investing in agriculture have been grabbing headlines recently, but this asset class has been quietly outperforming for many years. Since the start of 2002, agricultural commodities have performed better than UK, European or US stocks*. In 2007 alone, they rose by 24%. In today's turbulent economic times, many investors are looking to revitalise their portfolios with better-performing alternative assets, and agriculture makes an attractive candidate.

Investing in a fund that tracks an index such as the AIG Agricultural Commodities Index would have produced a pleasing return over the past six years – the index returned an average of more than 8% annually over the past six years. Agriculture is a broad brush, though, and just like actively managed equity funds, an actively managed fund of agricultural assets can deliver even better returns. An experienced manager is essential, though – to make informed decisions, they will have to keep abreast of not just day-to-day economics, but influences such as political instability and transport to the weather, be it too much rain, not enough rain, late frosts or hurricanes.

There is a wide choice available when putting together a well-diversified portfolio, but the agricultural universe can broadly be divided

into grains, "softs" (such as coffee and sugar), livestock, other foodstuffs and fibres. A growing category for alternative energy products is becoming increasingly popular and water-related assets can also feature.

The geographical spread of origins, while it enhances the natural diversification of an agricultural portfolio, is another reason to single out managers with experience. Take cocoa for example; the Mars Bar staple may hail from South America, but today West Africa produces most of the world's supply, with about 35-40% coming from the Ivory Coast alone. The main producers of coffee are Brazil and Vietnam, while the biggest wheat growers are China, India and the US.

Hasn't the rally in agriculture ended?

It's true that the price of agricultural assets has been rising, and some of that gain must be attributed to speculative investment. But genuine demand for these assets is increasing, and will continue to do so:

● **Populations are increasing, land isn't:** The global population is expected to grow by as much as 21% by 2025, and that will drive up demand for all agricultural assets. Farmers can switch production to take advantage of higher prices in a particular crop, but that doesn't boost overall production.

The key problem is a lack of new land – in some areas, acreage is actually shrinking. The amount of arable land in China, for example, is declining as global warming leaves areas unsuitable for cultivation. There isn't enough plantable acreage available for output to match demand. We are already seeing this in the drawdown in global stock piles of grains, at their lowest in more than three decades.

● **As nations become wealthier, they consume more:** Added to that, the populations of many developing are switching to a higher protein and more luxurious diet as they become wealthier, as well as spending more on items such as clothing or even curtains. A family with more disposable income is only too happy to sink some of that spending power into the likes of juicy steak, delicious chocolate, energy-boosting coffee, or a second pair of jeans. In China, for example, per capita consumption of meat has doubled in just the past 15 years.

But aren't there lots of agriculture funds already?

The surprising thing, given the interest we are seeing in agriculture, is how few funds there are

INDICATIVE EXPOSURE OF ALIQUOT AGRICULTURE

