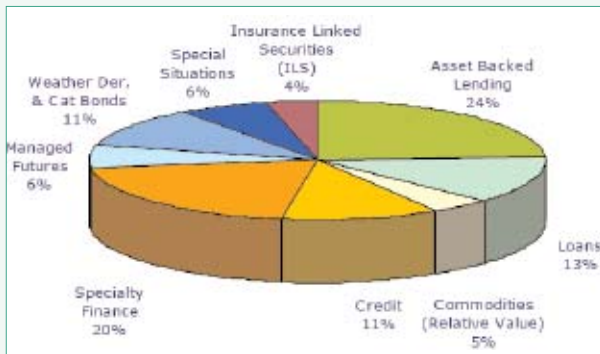
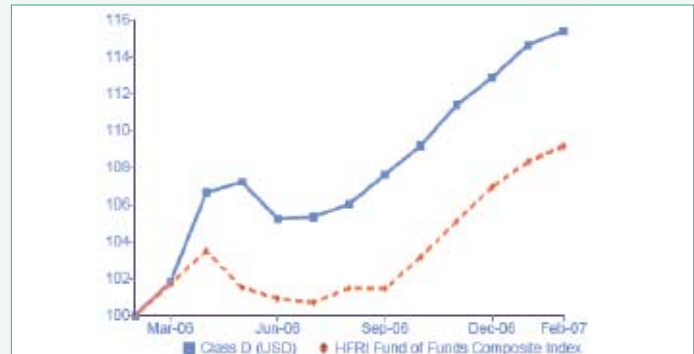


FINANCIAL FIX: THE MILLENNIUM WAVE FUND (MWF)



MWF's portfolio allocation (as of Jan. 2007)



Performance since inception (as of Feb. 2007) - source: Absolute Return Partners LLP

Focus: MWF is a fund of hedge funds that invests in non-directional, niche strategies where barriers to entry tend to be high. The portfolio aims to achieve low correlations among the underlying funds and to traditional assets classes. It targets returns of 12-18% pa

Strengths: niche expertise; network

Weaknesses: fairly concentrated portfolio (implicit manager risk)

Opportunities: the "commoditisation" of hedge funds and the pressure exerted on them to perform has drawn attention to 'alternative alternatives' as a source of performance and as a means of generating uncorrelated and competitive returns

Threats: some strategies may be illiquid; could have capacity constraints; exhibit signs of high correlations in times of a convergence

Risk

□ = low □ = low/moderate □ = moderate □ = moderate to high ■ = high

At FoF level:

Major risk: underlying manager risk

Expertise in identifying non directional fund managers for portfolio: □ □ □ □ ■

Ability to actually invest with the above mentioned managers: □ □ □ □ ■

Ability to secure capacity with the above mentioned managers: □ □ □ □ ■

Ability to enter and exit the manager at the „right“ time: □ □ □ □ □

Ability to manage „downside risk“: □ □ □ □ □

Ability to efficiently put to work and manage invested capital: □ □ □ □ ■

Ability to consistently deliver targeted returns:

Over next 12 months: □ □ □ □ □

Over the next 3 years: □ □ □ □ ■

Avg correlation of managers in the portfolio: □ □ □ □ □

Expertise in conducting due diligence: □ □ □ □ □

Strategy risk borne: □ □ □ □ □

Currency risk borne: □ □ □ □ □

Leverage risk: □ □ □ □ □

Market risk: □ □ □ □ □

Direction risk: □ □ □ □ □

Ability to identify:

style drifts: □ □ □ □ □

non performance: □ □ □ □ □

Ability to manage FoF and managed accounts pari-passu: □ □ □ □ □

Key man risk: □ □ □ □ □

As applicable to FoF underlyings:

Ability to manage market risk, if relevant: □ □ □ □ □

Ability to effectively manage downside risk: □ □ □ □ □

Ability to effectively manage currency related risk: □ □ □ □ □

Ability to successfully manage leverage related risk: □ □ □ □ □

Performance Parameters

■ = insufficient ■ = adequate ■ = satisfactory ■ = good ■ = outstanding

No. of underlying managers in the portfolio: 12

Consistency in delivering targeted returns since inception: ■ ■ ■ ■ □

Ability to deliver targeted returns in a:

rising market: ■ ■ ■ ■ □

falling market: ■ ■ ■ ■ □

sideway trending market: ■ ■ ■ ■ □

Competition from similar FOFs: low

MWF correlation (March 2006 - Feb. 2007) to: (> 0.38 is high)

Equity: MSCI World Index: 0.51

Bonds: ML Global Govt. Bond Index: 0.27

Hedge funds: HFRI Fund Weighted Composite: 0.62

Commodities: GSCI: 0.22

Suitability for:




inclusion in a conservative portfolio: ■ ■ □ □ □


inclusion in a balanced portfolio: ■ ■ ■ □ □


inclusion in an opportunistic portfolio: ■ ■ ■ ■ □

FINANCIAL FIX: THE MILLENNIUM WAVE FUND (MWF)

Outlook

 upside potential
  upside to range bound
  range bound
  range bound to down
  downside

MWF outlook on the space: 

Scope for similar FoFs: 

Ability to consistently deliver targeted returns:

Over next 12 months: [high](#)

Over the next 3 years: [high](#)

Barriers to entry: [fairly high](#) - requires expertise in the alternative alternatives space

FoF max. Capacity (AuM): USD350 million; (also runs mandated managed accounts)

Investment Insights

Target audience: [institutions, family offices and HNWI](#)

Level of complexity for an investor: [moderate](#)

To optimise returns, avg recommended holding period: [min. 1 year](#)

Investors access: [global](#)

Base currency: [USD](#)

Other currencies it is available in: [EUR, GBP](#)

Liquidity provided: [monthly](#)

Listed on: [the Irish Stock Exchange](#)

Fees: [1% management, 10% performance](#)

Transparency provided: [high](#)

Registered with: [FSA](#)

RESOURCEFUL: SAM SMART MATERIALS FUND



Rodrigo Amandi unveils what he believes is in store for investors interested in “materials” ...

How do you identify an investable materials sector?

The materials sector is dominated by four global trends:

- :population growth and therefore a soaring demand for all kind of goods,
- :an increase in wealth and industrialisation especially in the newly industrialised nations - eg. China and India, where there is an steady rise in the standard of living and the pace of industrialisation,
- :the shortage of natural resources and the corresponding bottlenecks in the availability of raw materials and
- :finally our “disposable society” with its higher consumption rate and the generation of more waste

As a result of these global trends we have identified four investment themes, that have the potential to deliver promising returns.

These investment themes are:

- :**basic materials**, where we include innovative mining technologies, companies active in the fields of forestry management, paper, cellulose and building materials, as also producers and processors of farmed goods such as cereals, sugar, vegetables, tea or coffee.
- :**efficient use of materials**, with focus on companies in the field of logistics and transportation, companies that generate smaller volumes of waste or lower emissions, or those which produce “more with less”.
- :**recycling and disposal**, where we cover companies active in the areas of metal recycling, waste incineration, clean-up of contaminated zones, and paper recycling.
- :**innovative materials** and technologies, where we include nanotechnology and innovative solutions companies. We also include providers of analysis and monitoring equipment, as well as state-of-the-art process technologies.

More recently we are seeing an over-crowding in sectors such as commodities, mining, exploration, renewable resources etc.

Isn't everyone chasing the same names? Aren't equities in this space already over priced?

We have clearly seen an increased interest in the commodities sector following the surging prices of commodities (oil, precious metals, aluminium, nickel, zinc, copper and corn among others) and the consolidation of certain industries such as steel. I tend to agree, that investors have been chasing the same names, and that the current valuation of many of the stocks in the commodity universe look overpriced. However, there are still a number of commodities and stocks which operate in niche markets that show attractive valuations. We, as investors have to look towards other parts of the commodity structure and other ways of getting access to it.

How much of this can be attributed to speculation - (hot money vs. sticky money that has been invested in this space)?

Certainly, merger and acquisition led speculation in the commodity sector has driven many stock valuations.

Based on your experience, how and why do you think one can stand apart from the crowd?

In my view, differentiation from the crowd can be achieved by focusing on specific investment areas or themes. However, this requires in-depth knowledge, know-how and experience in order to fully understand the challenges and trends that are likely to change the future competitive environment of a particular sector.

We have seen an increasing interest from investors towards specific theme driven products such as renewable energy, biofuels or water.

How lucrative is it to invest in the innovative materials, technologies sector, disposable management and recycling ... given a large wedge of the profits were accrued by private equity investors... or a lot of the entrepreneurs active in this space are non-listed companies?

There are still many good investment opportunities in these three sectors. For example, a look at the innovative materials and technology space reveals there is a lot of scope for nanotechnology companies. After the initial hype, the stocks seem to be reverting closer to their fair valuation - which offers an excellent entry point possibility.

How do you identify and what criteria do you apply to investments made in under valued companies in sectors such as disposable management and recycling? What could be the risks associated with investing in such companies?

We use a combination of a top-down and a bottom-up approach. From a top-down perspective, it is important to consider the competitive environment, the local regulation framework, the license allocation process, the deregulation trends, technology used, the costs of resources and the fund raising environment. From a bottom-up perspective we assess the investment opportunities using a DCF/value added stock valuation tool and peer group comparison.

The risks associated with investing in such companies include the change in their legal framework and requirements, changes that might occur within the licence attribution framework. Then there are technology related risks, financial structure risk and environmental and legacy operations risk that also must be considered.

Are the number of new companies that operate in the “materials space” keeping up with the demand from investors?

I believe so. There is an enormous number of companies in the materials space, far more than the demand from investors! It is true that for example the flow of IPOs for nanotechnology companies has been lower than expected, but the situation is likely to change given the current positive economic environment.

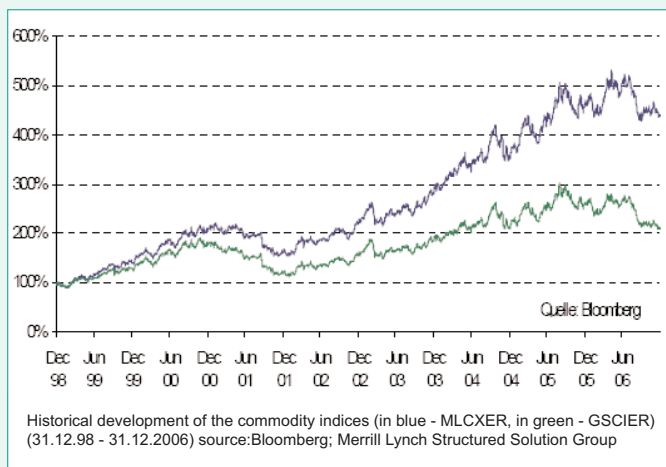
Hasn't the performance in this sector borne a high correlation to that exhibited by equity markets? Or would you argue otherwise.

I would agree. However by investing in small and mid size companies the correlation is no longer as high.

Are returns in “smart materials” truly sustainable? Why?

Indeed! We have an excellent team of knowledgeable and experienced analysts with a great degree of understanding of the opportunities and challenges offered by the different sectors within the materials universe. This enables us to continue identifying stocks with above average return potential across the entire materials value chain.

FINANCIAL FIX: MERRILL LYNCH COMMODITY ALPHA CERTIFICATE



Focus: The certificate offers investors access to low volatility generated, "commodity alpha" which is captured by its underlying, the Merrill Lynch Commodity Index Extra Excess Return (MLCXER) against its benchmark index, the Goldman Sachs Commodity Excess Return Index (GSCI)

The MLCX has been structured by ML based on the world production of commodities and liquidity criteria - it is currently invested in 18 commodity contracts, spanning 6 market sectors that reflect and are representative of the global commodity markets. Index constituents are based on the liquidity of the commodity contracts - and each sector bears a min. representation of 3%, but can't exceed 60% - and must be representative of at least 2 of 4 commodity contracts that are to be rolled over every 15 days. Its benchmark, GSCI, is currently invested in 25 commodities that cover 5 sectors. Index constituents are weighted based on the world's production of the commodity, and its commodity contracts are rolled over every 5 days. In contrast to the GSCI, the MLCX uses an anti-cyclical point to sell its contracts - which enables the MLCX contracts to be sold when the prices have been trended upward by the GSCI.

Strength: The open-ended certificate provides exposure to commodities, with a lower volatility and with daily liquidity; bears a low correlation to stocks and bonds

Weakness: the concept is based on the GSCI, if the index were to change (re-weighted, re-configured, structurally altered etc.) this could potentially distort, impair or impact the performance of the certificate

Opportunity: to capture "commodity alpha"

Threat: low barriers to entry

Risk Assessment

□ = low □ = low/moderate □ = moderate □ = fairly high ■ = high

Ability to consistently extract "commodity alpha":	□□□□■
Ability to maintain volatility within a contained band (5.43%) :	□□□□■
Avg. correlation between the MLCXER and GSCI commodity indices:	□□□□■
Ability to monitor and control risk posed by index constituents:	□□□□■
Ability to optimise the roll over of the underlying index futures:	□□□□■
Ability to sell futures at a high price and buy at a low price:	□□□□■
Ability to mitigate contango/backwardatio related risk :	□□□□■
Currency related risk among index underlyings:	□□□□□
Leverage used: none	
Underlying's fund constituents to weather related risks and its impact on certificates performance:	□□□□□
Relevance of macro economic, financial, political risks at certificate level:	□□□□□

Performance Parameters

■ = insufficient ■ = adequate ■ = satisfactory ■ = good ■ = outstanding

Ability to generate commodity alpha in:	
a bull market (eg. period 01.10.2003 - 31.03.2004 - commodity alpha generated =8.72%):	■ ■ ■ ■ □
a bear market (eg. period 01.08.-31.12.2006 - commodity alpha generated = 8.24%):	■ ■ ■ ■ □
Inclusion in a:	
conservative portfolio:	■ ■ ■ ■ □
balanced portfolio:	■ ■ ■ ■ ■
opportunistic portfolio:	■ ■ ■ ■ □
Certificate's correlation to:	
equities:	■ □ □ □ □
bonds: none	

Outlook

↑ upside potential ↗ upside to range bound ↔ range bound ↘ range bound to down ↓ downside

Barriers to entry at certificate level: low

Scope for a commodity alpha certificate:
Ability for the certificate to perform over:

Over the next 12 months:

Next 1-3 years:

Beyond 3 years:

Investment Insights

Target audience: broad based

Level of complexity for an investor: fairly simple

Certificate's USP: aims to deliver market neutral commodity generated performance

To optimise returns recommended holding period: opportunistic

Traded exchanges: Frankfurt and Stuttgart

Base currency of the certificate: EUR

PRACTITIONER'S POINT: INVESTING IN RARE US COINS



Gary Knaus is president of Numismatic Investments Corporation, which analysed the US rare coin market and discovered price anomalies that may afford long-term, arbitrage-like investment opportunities. Beyond being a collectable, Gary shares his views on the investment benefits offered by this alternative asset class...

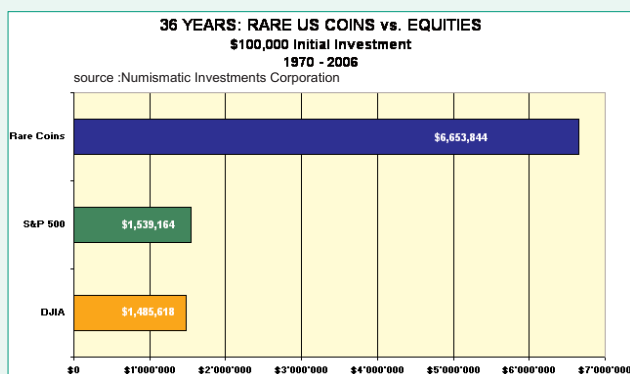
Would you say investing in rare coins is a well kept secret? How did you uncover the price anomalies?

Rare coins have traditionally been the domain of collectors, receiving only sporadic attention from the mainstream investment community. In the late 1980's several rare coin investment funds were established by Wall Street firms - which drove prices to dizzying heights. These stratospheric prices pushed collectors to the sidelines and without their support the market eventually collapsed. Since then, investing in coins has been largely confined to wealthy, knowledgeable individuals working in concert with coin dealers.

Over the past two decades, the US rare coin market has witnessed a remarkable transition. Almost all investment grade coins have been certified, authenticated and graded by independent third party firms, up-to-date price data is readily available, and the surviving populations of coins can now be estimated. We performed an assessment, and were able to successfully group coins into over- and under-priced buckets. We used this to develop a model, which is being successfully implemented to offer portfolios of prospectively undervalued coins to sophisticated investors.

Are US rare coins "investor friendlier" than their European and global counterparts?

Yes. The rare US coin market offers unparalleled transparency, security and liquidity. With certification by one of the two leading services (PCGS or NGC) an investor can be assured that the coin is genuine and in the condition stated on the secure plastic holder (called a "slab") that encases it. There are more than 10,000 coin dealers in the US and two electronic dealer exchanges that at any time typically have open bids for USD 700mn in rare coins. The annual US volume of rare coin transactions is estimated at more than USD 4 bn, perhaps even as high as USD8 bn. By contrast, the European and Asian markets are highly fragmented, comparatively small, and do not have the liquidity or transparency afforded by the US market. For example, those markets have not embraced certification - forcing investors to either become experts or to rely heavily on coin dealers to ensure the coins are authentic (in the condition offered and priced appropriately).



"It has been claimed that even over shorter investment horizons rare coins typically perform at a level comparable to equities while providing both tangible asset diversification and reduced portfolio risk." Why aren't more investors drawn to coins?

As shown in the adjacent graph, rare US coins have historically appreciated at levels exceeding those of equities. Industry research also suggests that rare US coins tend to exhibit marked appreciation during times of high inflation and deflation; acting as a possible hedge against sharp changes in interest rates. As this asset class has a relatively high return per unit of risk, adding them to a well diversified investment portfolio can reduce portfolio volatility.

Research I undertook reveals that on a 10-year moving average basis, rare US coin and equity returns were negatively correlated (-0.68) - so coins have the potential to act as a long-term hedge against equity market downturns.

Most investors are unaware of the benefits afforded by adding a modest amount of rare coins to their investment portfolio. I believe this is largely due to

investment advisors having little or no knowledge of this asset class and their resulting hesitation to recommend this and other non-mainstream alternatives.

What are the risks involved?

Investing in rare coins can be a profitable venture for the informed, but a minefield for the unwary. Exploiting opportunities is relatively straightforward with a reputable coin dealer or firm that specialises in rare coin investment portfolios. Only accept coins that have been certified and graded by a tier one firm (such as PCGS or NGC) and check prices online (such as: <http://www.pcg.com/prices/>) to verify that the amounts you are paying are reasonable.

What are the short and long term returns that can be expected as a result of investing in rare US coins? What are the other inherent benefits of this asset class?

Industry researchers have reported gains (internal rates of return), over a five to 62 year period, that range from a low of 9.83% to a high of 12.5%. Historically - the rarer, key date coins, in mint condition tend to perform best. As an example, over the past three years these very select coins have appreciated almost 46% in value. But achieving those returns is easier said than done: the highest quality rare coins are very difficult to obtain in the market, with many not coming up for sale for years or decades. Fortunately, the work we did on market price anomalies has allowed us to identify generally obtainable, prospectively undervalued coins whose overall returns are close to those achieved at the high end of the market.

In addition, US investors can utilise the IRS 1031 like-in-kind exchange rule to build portfolio value while deferring capital gains taxes. Coins can also be leveraged as collateral for other investments and loans, and unlike equities coins can't drop below their bullion or face value.

Do investments in rare US coins experience cyclical behaviour patterns?

Other than during the late 70's and 80's, periods that were marked by wild speculator driven price swings, rare US coin prices have not been as volatile as equities. For the past year, coin prices have been in the doldrums, which many view as a buying opportunity. Today's prices remain 64% below their all time high of 1989, which provides a basis for believing that long-term price appreciation is possible.

DISCLAIMER

A SQUARE (hereafter, A2) contents are a result of research and analysis, that is independent. The contents of A2 are not sponsored, endorsed or meant to be construed as promotional or advertising material. A2 is not compensated, financially or otherwise, by the entities featured. The contents express the author's opinion, which may differ from that or those held by the entities it features. The publication has no regard to specific investment objectives, the financial situation or particular needs of any specific recipients. It is not written to be used for, and cannot be used by anyone, for the purpose of avoiding tax penalties.

A2 is a research product, published solely for informational purposes and is not construed as a solicitation or an offer to buy or sell any financial instruments including all alternative investments. Some of the financial instruments described in A2 may not be eligible for sale in all jurisdictions or to certain categories of investors.

A2 must not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in A2 are subject to change without prior notice and A2 is not under any obligation to update or keep the information contained herein. Options, derivative products, futures and all alternative asset classes are not suitable for all investors. Investing and trading in these instruments is considered risky. Past performance of the fore mentioned are not necessarily indicative of future results. Foreign currency rates of exchange, interest rates, use of leverage, fraud, defaults, acts of terrorism, may adversely affect the value, price or income of any of financial instruments or related alternative investments mentioned in the publication.

A2 is based on information obtained from sources believed to be reliable but is not guaranteed as being accurate, nor is it meant to be a complete summary of the financial instruments, alternative investments, or developments referred to in the publication. A2 accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this publication.

All content are provided on an "as is," "as available" basis. Whether or not limited to acts of god, communications failure or unauthorised access of this publication, A2 does not guarantee the timely receipt and cannot vouch for the accuracy and completeness of the information received by the recipients. Possible errors or incompleteness of information do not constitute grounds for liability, either with regard to direct, indirect or consequential damages.

ISSN 1450-4308

**© Opalesque Ltd.
8 Samou Street
St. Omologites
Nicosia 1640
Cyprus**

**+49-89-2351 3055
info@opalesque.com**

© Copyright Opalesque Ltd. All rights reserved.