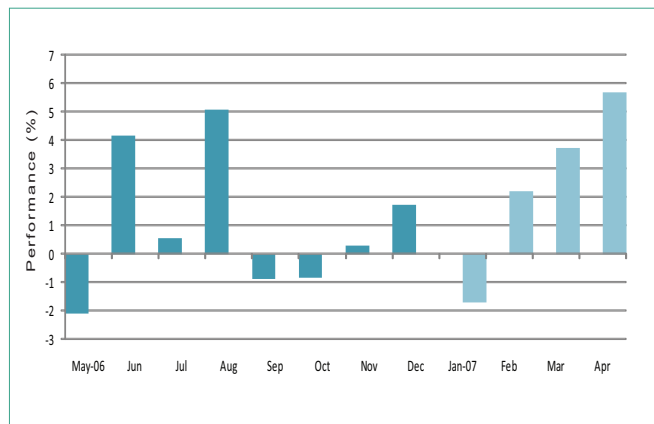


SHIPPING



Fund's performance since inception (USD)
Source: Clarkson Shipping Hedge Fund

Risk Management

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

- Major risk:
 - Volatility of shipping markets and the level of freight rates
 - VaR Limits - Dry FFA book has on few occasions reached its maximum VaR limit and consequently no new investments were made in the book until VaR was reduced sufficiently below the limit
- Global shipping, freight mkt fundamental, long-term expertise: □□□□■
- Ability to extract returns from short / medium term price movements: □□□□■
- Capital allocation, portfolio construction, mgt, expertise: □□□□■
(Short-run convergence of correlations will increase the volatility of portfolio returns)
- Leverage risk: Max 200% Gross exp on FFA portfolios, 225% on equities
- Liquidity risk: < 4 days trading volume, Max 10% in unlisted equities
- Currency risk: max 50bps of the fund can be left in non USD denominated currencies and unhedged

- Freight derivatives portfolio
 - Counter party risk/valuation risk: Limits: OTC counterparty max 5%, clearing member 60%: □□□□□
 - Liquidity risk: □□□□□
 - Leverage risk: (ability to smooth out – as the volatility of freight derivatives will tend to be low when freight market levels are low and high when the market levels are high) □□□□■
- Equity portfolio
 - Ability to time markets: 2/3rd of their trades are successful
- Unlisted equity portfolio
 - Ability to identify opportunities: □□□□■
- Market risk: third party and proprietary systems are used to quantify and manage market risk □□□□□
- Key Man Risk : □□□□□

Performance Parameters

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

- Aim to increase the number of profitable deals and cut the absolute losses: strive to diminish model fatigue factor – fund's managers are constantly trying to optimise the quality of the decision making process and calibrate the risk management framework
- No of positions currently in the portfolio: 60
- Efficiency in putting investor capital to work: ■■■■■
- Diversification:
 - Within sector FFA: dry and tanker
 - By investment styles: predominantly directionally, systematic
 - By instruments: freight derivatives, equity, special situation
- By duration: less than 4 days to 3 years (avg.= 45 days)
- By liquidity afforded - portfolio can be unwound under normal circumstances in 2 days
- Ability to sustain target performance:
 - In rising / falling markets (ability to short on the derivatives side): ■■■■■
 - Sideway trending markets: ■■
- Funds correlation to:
 - Stocks (MSCI): 1.8%
- Since inception, consistency in delivering targeted returns: ■■■■■
- Annual expense ratio: < 70bps (excluding fees)

Outlook

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

- Barriers to entry: FFA market is a highly specialised market that requires industry knowledge
- Outlook on investing in the shipping sector: Positive
- Scope for a fund such as the Clarkson Shipping Hedge Fund: ↑
- Threat posed by competition: currently not an issue
- Worst case scenario: (based on manager's access to 200 years of data) – even if volatility were to stay low for an extended period, and markets were to stay trendless and flat, owing to the cyclical nature and mean reverting nature of shipping markets, volatility has historically, always re-emerged
- Fund's ability to deliver target returns over the next :
 - 1 year ↗
 - 3-5 years because of cyclical nature: ↑
- Fund shows a relative outperformance when: there are big movements in underlying shipping markets
- Fund tends to underperform when/if there is low volatility in shipping markets

Investment Insights

- Fund is targeted at: sophisticated, institutional, HNWI individuals
- Current AuM: USD 63.3mn (as of May 2007)
- Targeted AuM: USD400mn
- Recommended holding period to optimise returns: min. 12 months
- Fund's base currency: USD, others it is available in: EUR
- Geographic restrictions: None
- Fund's complexity for an investor: Markets: High, Strategy: Low
- Transparency provided to investors: High
- Fund /manager is registered with: FSA