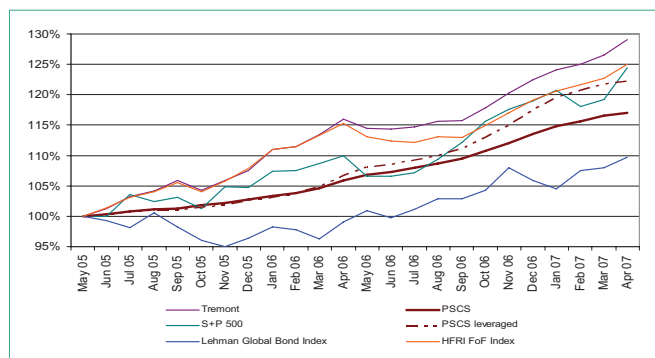


STRUCTURED CREDIT



Fund vs. other asset classes (Relative Performance since June 2005)
Source: Palomar Structured Credit Strategies

Risk Management

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

- Major risk at portfolio level: **spread risk**
- Ability to identify managers: □ □ □ □ □
- Ability to secure capacity: □ □ □ □ □
- Portfolio construction expertise:
 - Positive perf. in Apr. '05 -back tested, Sept. '05, Nov. '06 and Feb/ Mar. '07.
 - Since the fund's inception, the market hasn't witnessed a general shock.
- Due diligence expertise: □ □ □ □ □
- Credit, securitisation expertise: □ □ □ □ □
- Default /fraud risk at portfolio level: □ □ □ □ □

Probability of occurrence is remote – but if one manager did succumb then portfolio's perf. could be temporarily challenged

- Underlying manager's inability to perform risk: □ □ □ □ □
- Spread blow out risk faced by portfolio: □ □ □ □ □
- Prepayment risk posed to portfolio: □ □ □ □ □
- Counterparty risk: □ □ □ □ □
- Liquidity risk: **exclusive credit facility for redemptions**
- Leverage related risk: **aggregated manager leverage = 3.7x**
- Currency risk: **none as the fund only invest in USD**
- Key person risk: □ □ □ □ □
- Key investor risk: **50% is held by a SPV that has issued capital protection notes – will remain outstanding for the next 4 years**

Performance Parameters

□ =insufficient □ =adequate □ = satisfactory □ = good □ = outstanding

- No. of positions/managers currently in the portfolio: **16**
- Current correlation between positions: **expected to fall once there is more volatility in the market** □ □ □ □ □
- Efficiency in putting investor capital to work: □ □ □ □ □
- Diversification:
 - Geography: **US 61%, Europe 34%, Australasia 2%, Emg Markets: 2.6%**
- By credit quality:
 - AAA/AA: **22.9%** • A: **21.5%** • BBB: **10.2%** • Non-IG **45.4%**
- By security
 - RMBS, CMBS, IG CDS + cash, HY Corporate CDS + cash, EM debt, Bank loans, TruPs, SMEs, ABS, CDO warehouse
- Liquidity: **11% - 60 days or better; 30% - 120 days or better; 64% - 150 days or better, 95%: 180 days or better**
- Ability of the fund to perform in rising, falling, sideways, trending markets: □ □ □ □ □
- Since inception avg. annual correlations to:
 - stocks: **S&P 500: 0.03**
 - bonds: **Lehman Global Bond Index: 0.23**
 - hedge funds : **CSFB Tremont: 0.13, HFRI FoF: 0.9**
- Worst case scenario loss portfolio would incur: **worst month since inception: Sept. 05: +17bp. in times of a market shock, the fund could lose a few points in the relevant month, but no negative year expected**
- Annual expense ratio (excluding management and performance fee): **45bps**

Outlook

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

- Barriers to entry: **manager believes credit risk is tail risk and does not lend it self to "data crunching"; hence expertise, experience, relationship management are key**
- Outlook for the structured credit space: **credit events such as those witnessed in Feb. to Apr.'07 help separate the "wheat from the chaff"** ↑
- Outlook for a fund like Palomar: **(due to its conservative stance)** ↑
- More volatility is expected in the structured credit market, offering new opportunities after a period of tight spreads with relatively little movement:
- Threat posed by competition: **fund has a 2 year head-start**
- Ability of the fund to deliver targeted returns over:
 - Next 1 year : ↗
 - Next 3-5 years : ↑
- Fund tends to show relative out performance when: **there is an economic trend or forced sellers**
- Fund tends to show relative under performance when: **unexpected, sharp, short lived, spikes in credit spreads occur**

Investment Insights

- Current Fund AuM: **USD 57mn**
- Targeted Fund AuM: **USD 300mn**
- Fund is targeted at: **institutional, HNWI, pension funds**
- In order to optimise returns, min. **12 months**
- Geographic restrictions: **globally for institutional investors and qualified investors**
- Funds currency base USD and other currencies it is available in: **EUR, CHF**
- Fund's complexity for an investor: **structure itself is simple; the underlying products and market is complex**
- Transparency provided to investors: **fairly high**