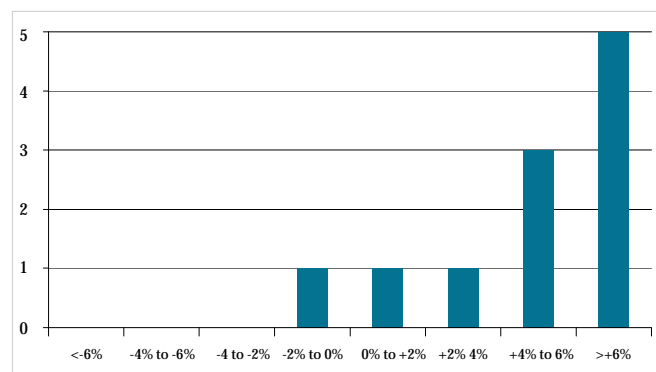


## POWER, ENVIRONMENT RELATED DERIVATIVE TRADING ATTUNGA ENVIRO OPPORTUNITIES FUND



Fund's monthly distribution

Source: Attunga Capital Pty Ltd

**Focus:** The Fund invests and trades primarily in derivative products focused on the power and environment related markets

- Primarily deals in derivative contracts based on the Australian National Electricity Market (NEM), being both ETC (on the Sydney Futures Exchange (SFE)) and OTC. (The d-cypha SFE electricity contracts currently cover futures and options contracts in New South Wales, Victoria, Queensland and S. Australia. In excess of 30 wholesale electricity market participants (mainly power stations and energy retailers) use these contracts to manage their risk. The annual face value of contracts traded exceeds AUD6bn and continues to grow each year).
- Pursue an active, information-based approach to derivative contracting, operating in markets that are relatively new and inefficient, undergoing development and change
- The mandate includes global CO2 emissions, weather, gas, water and other energy and environment related markets

**Strengths:** • Trading expertise

**Weaknesses:** • Underlying markets are highly volatile (also primary source of returns)

- Potential capacity constraints
- Better suited to medium to long term investors

**Opportunities:** • Operates in markets that are relatively new and inefficient  
Diversification - as an asset class currencies have a low correlation to traditional asset classes

**Threats:** • The use of derivatives can magnify both returns and losses

- Increased market efficiencies over time

### Risk Management

Low Low / Moderate Moderate Moderate to High High

- Main risk: volatility of the spot price (but the fund primarily-in particular in electricity-trades the forward market)

- Volatility of returns:

Low / Moderate

- Leverage: derivatives (in-built); at fund level:

Low

- Liquidity risk:

Low / Moderate

- Counterparty risk:

Low / Moderate

(main counterparty is currently the Sydney Futures Exchange and for the futures (with OTC) counterparties are highly rated companies and government entities)

- Political and/or legislative risk:

Low / Moderate

- Regulatory risk:

Low / Moderate

- Market risk:

Low / Moderate

- Currency risk: (at fund level)

Low

- Key man risk:

Low / Moderate

### Performance Parameters

Low Low / Moderate Moderate Moderate to High High

- Targeted returns: in excess of 20% (after all fees) per annum
- Value at Risk (daily 99%) has averaged 6-7% in the 12 months since inception (1-Aug-06).(stop loss activated at 5% daily loss on portfolio or 10% cumulative monthly)
- Time required to unwind entire portfolio under normal market circumstances: could be 2-5 days.

- Diversification:

- Strategies: value and basis trading, flow trading, origination, event driven, physical asset support and structured deals.

- Geographic: primarily Australia

(except CO2 emissions, which may be global)

- Avg. duration of trade: ranging from several days in duration to several months

- Efficiency achieved in placing investor capital to work: High

### Outlook

- Barriers to entry: Market complexity, limited skilled resources, time to market (OTC)
- Threat posed by competition: niche player in the Australian power and environmental related markets. new entrants are likely but maintain early entrant's edge

- Scope for trading and investing in environment led derivatives: upside

- Scope for a fund such as Attunga: upside

- Potential for growth (over the long term): 5

### Investment

- Current AuM: AUD50 mn
- Targeted AuM: AUD100 – 250 mn
- Fund is targeted at: sophisticated investors
- Geographic restrictions: none

- Fund structure: unit trust, offers transparency and tax efficiency
- Complexity for an investor: high
- Australian Financial Services Licenced (AFS Licence number 297385)

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