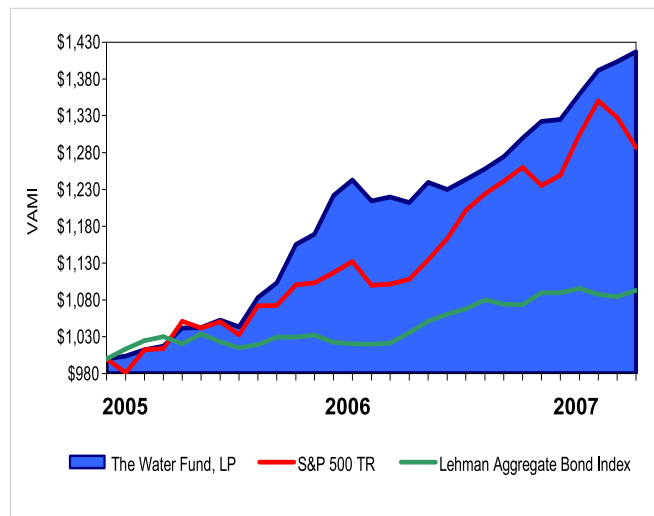


WATER



Growth of USD 1million since fund inception 1, Apr.05 -31, July07

Source: The Water Fund, LP

THE WATER FUND OFFSHORE LTD.

Focus: Exposure to companies that are in water: utilities, technology, services and own water rights as a significant asset; and water related products and services

Strengths: • Expertise and in-depth know how in water-led investing that spans all the sub-sectors

- Follow a highly disciplined, value-oriented approach to investing
- Offers investors the flexibility of participating in private equity opportunities within the water space (up to 20%)

Weaknesses: • Pursue a long - term investment management and construction (During events such as a global recession/ severe market dislocation in the US - performance could be periodically challenged)

Opportunities: • Water is a unique resource with no substitute

- Demand and supply imbalance is constantly increasing
- A large deficit in maintenance capital expenditure has led to the deterioration of many water systems
- New water standards (quality, environmental etc.) need to be met
- Water is twice as capital intensive as electricity
- Regulation (economic and environmental) can be of material significance in the case of some water companies
- Privatisation broaden the investment opportunities in the water space

Threats: • Political instability

Risk Management

Low Low / Moderate Moderate Moderate to High High

- Not immune to idiosyncratic risks (negative) at the sector level
- Liquidity:
 - Ability to short - source of performance
 - 1/3 of the assets on the portfolio can be liquidated in a day (requires a max. of 4 weeks to unwind the entire portfolio)
- Volatility:
 - At fund level 5.5%-6% (annualised, since inception)
 - Portfolio is turned over every once approx. every 1.5 years

- Valuation (in keeping with long term value oriented objective investment objective being pursued): **Conservative and opportunistic**
- Portfolio construction skills: "Marginal ideas tend to lead to marginal returns"
- Currency risk: ☐ ☐ ☐ ☐ ☐
- Leverage used: **None**
- Key man risk: ☐ ☐ ☐ ☐ ☐
- Key investor risk: **Currently, poses no threat**

Performance Parameters

Low Low / Moderate Moderate Moderate to High High

- No. of positions: **25 -35 on avg.**
- Diversification:
 - Geographic: **US bias**
 - Sub-sectors (net) – eg. US utility: 20%, int. utility: 15%, US filtration: 13% US infrastructure: 10%
 - Company's market capitalisation: **weighted avg. USD500-700mn**
 - Securities traded: **can invest in fixed income securities**

- Ability to perform in:
 - Bear markets: **fund has exhibited relative outperformance to the S&P500**
 - Bull markets: **fund has shown relative underperformance to the S&P500**
 - Sideway trending markets: **fund exhibits relative outperformance to the S&P500**
- Since inception, consistency in delivering returns: **Reliable**
- Annual expense ratio: **78 basis points**

Outlook

- Barriers to entry: **High**; water sector investing, from a global perspective, is highly complex - calls for a unique skill set
- Threat posed by competition: **Unique as they offer investors the flexibility to invest in private equity opportunities in the space**
- Scope for a water fund: **Upside**
- Scope for The Waterfund Offshore Ltd (long term): **Upside**
- Correlation to: (for July 07)
 - S&P 500: **-3.10%**
 - Lehman Agg. Bond Index: **0.83%**
- Ability to deliver returns:
 - over the next 3-5 years: **Realistic**

Investment

- Current AuM: **USD 52mn**
- Targeted AuM: **USD 300-350 mn (to stay nimble)**
- Targeted at: **Endowments, HNWI – broad based**
- Base currency: **USD**
- Legal /geographic restrictions: **None**
- Recommended holding period: **3 years**
- Transparency provided: **High**
- Fund's investment advisor: **Is registered with the SEC**

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APPENDIX

THE WATER FUND OFFSHORE LTD.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2007	TWF	2.00%	1.75%	0.19%	2.60%	2.34%	0.87%	0.95%						11.43%
2006	TWF	4.73%	1.16%	4.54%	1.69%	(2.27%)	0.45%	(0.62%)	2.21%	(0.74%)	1.07%	1.18%	1.30%	15.63%
2005	TWF				0.39%	0.87%	0.49%	2.38%	0.07%	0.93%	(0.81%)	3.79%	1.86%	10.34%