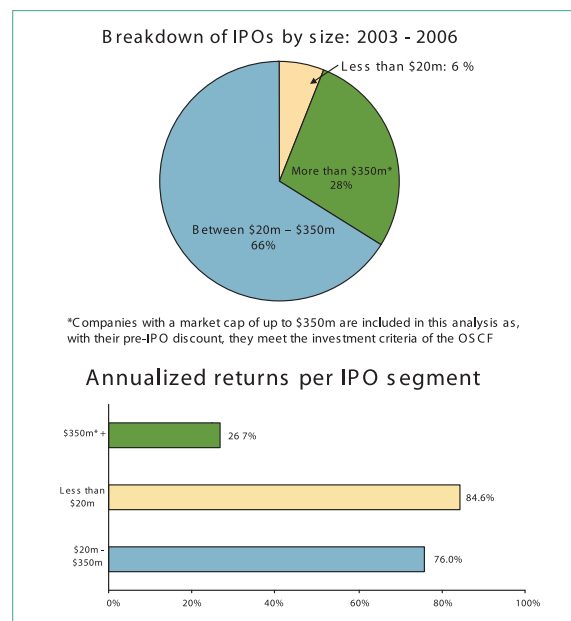


HYBRID



The fund targets the most profitable IPO segment

Source: Oceanic Small Cap Fund

OCEANIC SMALL CAP FUND

Focus:

- A hybrid vehicle that invests in small, high growth shipping and energy companies which are preparing to be introduced to the stock markets as well as existing companies which are listed on "junior" markets or which are listed but not regularly traded and in those that lack the immediate liquidity and market size to be included in many portfolios
- Investment style: opportunistic
- Investment approach: private equity

Strengths:

- Sector expertise and experience; (consistent analytical approach - garnered from managing 2 other funds)
- Good network of industry and broker contacts (deal exposure)

Weaknesses:

- Because of the fairly illiquid nature of private equity investments- better suited to investors with a long term outlook; capacity constrained
- Return on invested capital (ROIC) will eventually come down to normal levels, but the Asian growth and demand for commodities is likely to make this an extended cycle

Opportunities:

- Small cap IPOs provide potential for exceptional returns in excess of those generated by larger cap companies in the same sector
- High returns on invested capital arise from Asian growth and demand for energy and shipping
- Long term trends in transportation and easily accessible energy with a premium on innovation is expected to continue for the life of the fund (4 years) and beyond

Threats:

- Global slowdown affecting both shipping and energy sectors over an extended period

Risk Management

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

- Major risk: Global slowdown affecting both shipping and energy sectors over an extended period
- Managed using the following hedging techniques :-
 - Investee company produces a commodity or shipping freight: hedging = commodity+ freight hedging
 - Index hedging into a suitable basket of stocks where the exposure to a particular sector is deemed to be excessive
 - Relative value pair trades of pre-ipo investments against similar companies that already are in the public domain
- Expertise in identifying attractive opportunities: □ □ □ □ ■
- Expertise in pricing and valuation of equities: □ □ □ □ □
- Expertise in structuring private equity deals: □ □ □ □ □
- Access to deal flow: □ □ □ □ ■

- Threat posed to underlying owing to "non performance" - the need to raise further equity/ time lags in realisation: □ □ □ □ □
- Threat posed by default/fraud: □ □ □ □ □
- Sensitivity of underlying to market disruptions such as oil shocks, etc: exists, but evened out owing to their long term investment horizon
- (Pvt buyout before listing is effectively seen by the fund as an opportunity)
- Liquidity risk: pvt equity investments, however 40% can be in OTC companies
- Valuation risk: □ □ □ □ □
- Leverage related risk: □ □ □ □ □
- Key man risk: □ □ □ □ □

Performance Parameters

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

- No. of positions: 25 positions at any given time
- Efficiency in putting investor capital to work: in order to avoid a liquidity mismatch - the fund is following an instalment intake approach
- Diversification:
 - Global: not more than 33% in emerging markets
 - Sectors: shipping, oil services, energy and alternative energy
 - Composition: Pre-ipo stocks: < 67% gross assets-up to 20% in planned exit
- Instruments: equities: 80-90% and commodity; freight, index futures 10-20%
- Avg. holding period 18-24 months
- Ability to sustain annualised targeted performance in:
 - Up, down sideways trending markets : ■ ■ ■ ■

Outlook

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

- Barriers to entry: a combination of pvt equity structuring expertise and sector analytical skills
- Outlook on investing in the space: ↑
- Fund's ability to deliver returns: high
- Fund shows relative out performance: Best if period of low valuations over the 1st 12 months of the fund when it gets invested, followed by a
 - Strong IPO market for the next following years
 - Worst, if a global slowdown affected both shipping and energy sectors over an extended period

Investment Insights

- Fund is targeted at: HNWI, institutional investors, pension funds
- Current AuM: USD 56mn
- Targeted AuM: USD 200mn
- Recommended holding period to optimise returns: 4 years (life of the fund)
- Funds currency base: USD
- Geographic restrictions: none
- Funds complexity for an investor: moderately complex
- Transparency provided to investors: fairly high