

FINANCIAL FIX: GLOBAL MARITIME INVESTMENTS



Fund's performance since inception
Source: M2M

Focus: it is the only fund to invest in both the derivatives and the physical shipping market. Currently focuses on the dry bulk market and on the Panamax sector as this is where the greatest volatility can currently be found and it offers the highest liquidity. Developments: will start trading the Capesize and Handymax sectors as the fund grows.

The fund has developed a software system around the proprietary freight portfolio management system, Neptune, which provides "comprehensive freight position management, complete forward pricing and allows the trading portfolio to be thoroughly risk managed".

Strengths: Ability to flexibly trade relative value opportunities

Weaknesses: Large market price movements increase risk

Opportunities: There are few other participants with the ability to look at and trade the whole freight market

Threats: credit risk with trading counterparties

Risk Assessment

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

Ability to identify and exploit relative value opportunities within the shipping and freight markets: □□□□■
fund managers can go long/short most of the relevant market instruments

Ability to exploit volatility: □□□□□

same as above; options trading is still in its infancy in this market, as this becomes more liquid managers can trade this area to exploit volatility more fully

Ability to secure credit: □□□□□

the fund doesn't hold many assets which can be borrowed against apart from a small amount of cleared futures

Ability to manage:

market risk: □□□□■ proprietary systems value all systems

counterparty risk: □□□□□ they use credit agency plus market knowledge

liquidity related risk: □□□□□ most positions consume little cash so liquidity is less of an issue presently

Leverage used: □□□□□

Currency related risk: □□□□□ all trades in USD

Key man risk: □□□□□

Annual expense ratio: cost are about 3% of NAV

Performance Parameters

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

Avg. no. of positions held in the portfolio: 40

Ability to exploit dramatic structural changes in the shipping market:

■ ■ ■ ■ ■

they can trade all securities in the market so can be nimble

Diversification achieved by:

routes ■ ■ ■ □ □

main routes are priced to the Atlantic or Pacific areas

vessel type ■ □ □ □ □

currently only Panamax, will extend to Hnady and Cape later

freight carried: only carry Iron, Grain and Coal in the main

time frames avg: mostly 3-6 months

Ability to perform in:

volatile markets ■ ■ ■ ■ ■

during periods of low vol. ■ □ □ □ □

Conditions for the fund to outperform: high volatility with pricing divergence

Conditions that would trigger an underperformance: low volatility

Based on your stress tests - VAR limits should mean they can't lose more than 10% of NAV in one month

the worst case scenario = Stress test limits max losses to 30% of NAV over a 3 year period

Suitability of inclusion in:

a conservative portfolio: ■ ■ □ □ □

a balanced portfolio: ■ ■ ■ □ □

an aggressive portfolio: ■ ■ ■ ■ ■

Outlook

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

Scope for a freight fund: ↑

Volatility looks set to stay high

Viability of freight market

Aside from soaring volatility levels over the past few years

Barriers to entry

requires specialised shipping knowledge and expertise

Ability to deliver uncorrelated returns to:

Stocks = 0

Bonds = 0

Hedge Funds = 0

Commodities = 0

Ability to deliver targeted returns over next 12 months ↑

Investment Insights

Target audience: institutional investors, minimum subscription price is USD1m

Level of complexity: moderate to low

Fund offers: uncorrelated returns

To optimise returns, recommended avg. holding period: 2 years +

Available to investors: globally

Base and only currency: USD

Liquidity: 6 months redemption notice

Transparency: high

M2M: is authorised by the FSA

Fee structure: 2% management; 20% performance

Risk/reward compensation: moderate