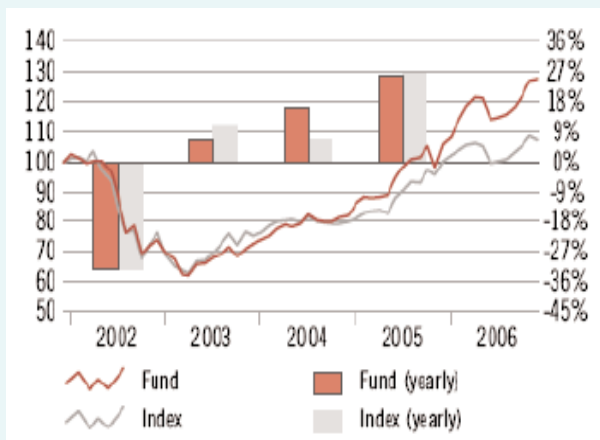


RESOURCEFUL: PICTET WATER FUND



Focus: almost 70% of the portfolio is allocated to the water sector, in particular to those players that have a presence in global water infrastructure and in companies that build, operate and maintain the same.

Strengths: pioneer in the field; high level of expertise

Weaknesses: exhibits a high correlation to stock markets

Opportunities: International water stocks continue to be re-rated as investors' perception of risk in these activities is very limited. Dynamics of the international water market remain intact. Demographics, industrialisation, regulation and environmental protection will magnify growth prospects in the water sector.

Threats: as a third of the portfolio is allocated in USD - currency risk and sensitivity to US economic growth forecast related issues could have a bearing on performance.

Risk Assessment

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

- | | | | |
|--|-----------|---|-----------|
| • Rate the asset risk | □ □ □ □ □ | • Allocations in "unregulated market" water securities | □ □ □ □ □ |
| • Liquidity of the underlying asset | □ □ □ □ □ | • Avg. annual cost of "protection" as a proportion of avg. annual returns | □ □ □ □ □ |
| • Currency risk | □ □ □ □ □ | • Leverage related risk | none □ |
| • Ability to detect "true" value of the underlying asset | □ □ □ □ □ | • Competitor related risks | □ □ □ □ □ |
| • Ability to exploit underlying stock volatility | □ □ □ □ □ | • Key Man risk | □ □ □ □ □ |

Performance Parameters

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

- | | | | |
|--|-------------|--|-----------|
| • Based on the fund's track record: | | • Since inception, consistency in delivering targeted annual returns | □ □ □ □ □ |
| Ability to deliver targeted returns in a bear market | □ □ □ □ □ | • Diversification benefit of including fund: | |
| Ability to deliver targeted returns in a bull market | □ □ □ □ □ | In a conservative portfolio | □ □ □ □ □ |
| Ability to deliver targeted returns in a sideways market | □ □ □ □ □ | In a balanced portfolio | □ □ □ □ □ |
| • Avg. annual correlation to: | | In an aggressive portfolio | □ □ □ □ □ |
| Equities as an asset class | high | | |
| Bonds as an asset class | moderate | | |
| Hedge funds as an asset class | low to zero | | |

Outlook

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

- | | | | |
|--|----|--|---|
| • Fund's outlook on investing in the global water sector | ↑↑ | • Barriers to entry | Expertise on the global water sector required |
| • Peer group perception of investing in the space | ↑↑ | • Do investments in water display cyclical behaviour | We are in the midst of a "clean water" scarcity cycle |
| • Fund's ability to deliver targeted annual returns: | | • Conditions for the fund to out perform | Relative out performance of stock markets, strong USD, increased M&A activity within the water sector, tightening regulatory/legal enforcements |
| over the next 1 year | ↗ | • Max. capacity of the fund (AuM) | Can comfortably manage EUR 4 bn |
| over the next 3-5 years | ↗ | | |

Investment Insights

- | | | | |
|-----------------------|---------------------------------|-----------------------------------|--|
| • Target audience | private investors, institutions | • Recommended avg. holding period | 5 yrs |
| • Level of complexity | low | • The fund is registered in | AT, BE, CH, CL, DE, ES, FI, FR, GB, IT, LI, LU, NL, PT, SE, SG |
| • Fund offers | sector diversification | • Transparency provide | moderate/high |
| • Fund currencies | base EUR; others=USD,CHF | • Rating: | S&P 5 stars |
| • Tax breaks | none | • Risk/reward compensation: | moderate |
| • Liquidity provided | moderate | | |

PRACTITIONER'S POINT



Illi Adato, CEO, World WineXchange

UK based World Wine Exchange Ltd. introduced the world's first on-line wine trading floor. The World WineXchange is comparable to an international stock exchange and links wine merchants and stockists with wine buyers. Individual wines prices can be tracked real time by using the World Wine Index ticker. The service is offered free, and a 5% commission of the total transaction is charged from the buyer and seller.

What drives wine prices?

Wine prices too, are governed by the forces of supply and demand. For instance, the number of wine cases produced by the famed Châteaux is known (i.e. since the supply is limited, the ability to procure such cases of wine would have an influence on the price of the wine). A sought after wine, that is rare, can command a befitting price.

What role does speculation play in determining wine prices?

In order to speculate, a wine dealer would need to acquire a lot of stock of a given wine. Wineries and the wine trade discourage this behaviour by following an allocation system. For e.g. the famous French wines allocate their yield based on "tranches" – "negociance", wherein the first tranche wine dealers are given the first rights. This tends to make it difficult for a dealer or a company to try and acquire the entire yield. Although someone might attempt to acquire large quantities of a particular wine, from an investment perspective, it could be an expensive exercise and then, the returns may not be worth it.

What role do wine critiques play in influencing prices?

Not so long ago, a wine critique played a pivotal role and influenced whether a certain wine flourished or fell-out-of-favour. Robert Parker and his system of allocating points to wines had such an influence.

However, the trend seems to be shifting from basing a decision purely on the referral of a critique, to that of broadening the repertoire to include a panel of critiques. In the case of En primeur, (a French wine trade term for wine which is sold before it is bottled) individual company's tend to hire consultants, rely on panel tasters and may even have their own in-house judges to align their purchases with the overall wine selling strategy they pursue.

Just because a wine has pedigree, does it automatically acquire a certain price – even though an unknown wine would perhaps score better in a blind test?

In the context of wine that is being purchased as an investment; recognised estates - especially the renowned French Chateaux - still have the ability to command a premium. In the case of blind tasting wines that score well, they may appreciate in value over time - but the upside has tended to be contained. These wines tend to be acquired more for the purpose of pleasure and by those that are passionate about uncovering and enjoying a great wine. A case in point was the "Garage Wines" of Saint Emilion. Owing to their complexity, these wines scored well in a wine tasting, but did not really "pay off" from an investor's perspective.

Would you say there is a constant "inefficiency" in that the taste of the wine does not do justice to its price?

It is subjective and is governed by whether one is buying the wine portfolio for "profit" or for "pleasure".

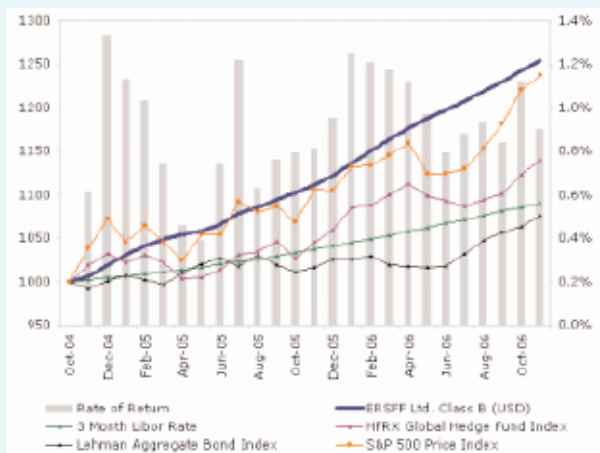
How do you recognise wine trends?

I believe it is difficult to identify trends because there is a lot of twisting, turning and shifting in the wine market. From a taste perspective, I think wines from the Mediterranean (the origin of wine) are poised for a Renaissance. I am intrigued by the new flavours offered by wines from the Eastern Mediterranean - Greece, Lebanon, Israel. The entire basin holds promise. Some of my favourites are "Gaia" from Greece, "Castel" from Israel and "Musar" from Lebanon to name but a few.

If one were to design a portfolio for passion and for it to pay, which wines would you include and why?

Wines comprising the investment part of the portfolio tend to centre on the famous French names, the well established Italian and American wines that have a track record. Factors such as a wine's pedigree, scarcity, vintage year and at what price it was bought play a crucial role in its ability to reap rewards. The more interesting component lies in buying wines for pleasure. The motive here should be enjoyment and discovering ones own style. These wines tend to be affordable and allow one to experiment and better educate one's taste buds. From a pure investment perspective, the risk can be lowered by acquiring expertise. Work with someone that has been in the business and really understands and knows what they are doing. Inability to pick the "right" bottle could in the worst case – still mean you could drink it!

FINANCIAL FIX: EDEN ROCK STRUCTURED FINANCE FUND OF FUNDS



Focus: Global - asset based lending, credit strategies, factoring, etc. The fund targets an annual net return of 10% - 15% with an annual volatility of less than 3%.

Strengths: no down months, the fund offers a superior, uncorrelated, consistent return on a risk adjusted basis

Weaknesses: relative out performance is harder to generate in a falling interest rate environment - liquidity crunch type scenario. The Fund employs leverage on a variable basis of up to 200%.

Opportunities and Threats: Capacity constraints amongst existing managers will inevitably exert some downward pressure on the fund's performance. But the manager believes this will be more than offset by the emergence of more ABL managers and the increase in credit risk transfer from bank balance sheets to hedge funds.

Risk Assessment

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

- | | | | |
|---|-----------|--|-----------|
| • Avg. correlation among managers in the portfolio | □ □ □ □ □ | • Ability to detect fraud | □ □ □ □ □ |
| • Diversification achieved in terms of collateral securing the loan | □ □ □ □ □ | • Importance allocated to: reviewing the contingency clause of loans | □ □ □ □ □ |
| • Ability to detect underlying managers' style drifts | □ □ □ □ □ | • Ability to recover full value of collateral in case of a default | □ □ □ □ □ |
| • Ability to "correctly" value and gauge liquidity of the underlying asset | □ □ □ □ □ | • Currency risk | □ □ □ □ □ |
| • Ability to detect and track underlying managers ability to put cash to work | □ □ □ □ □ | • Key Man risk | □ □ □ □ □ |
| | | • Risk of eroding returns | □ □ □ □ □ |
| | | • Leverage used | □ □ □ □ □ |

Performance Parameters

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

- | | | | |
|--|-----------|--|-----------|
| • Underlying no. of managers in portfolio | = 54 | • Returns that can be expected in a period of increasing defaults | □ □ □ □ □ |
| • Access to deal flow | □ □ □ □ □ | • Avg. annual correlation to equities | negative |
| • Ability to secure loans with varying maturities | □ □ □ □ □ | • Avg. annual correlation to bonds | negative |
| • Ability to perform in a rising, falling and sideways trending market | □ □ □ □ □ | • Avg. annual correlation to hedge funds | low |
| • Ability to sustain performance in a falling interest rate scenario | □ □ □ □ □ | • Since inception, consistency in delivering targeted annual returns | □ □ □ □ □ |

Outlook

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

- | | | |
|---|---|---|
| • Fund's outlook on investing in the ASL space | ↑ | • Barriers to entry: High; capacity constrained nature of the strategy |
| • Peer group perception of investing in the space | ↗ | • Do ABL investments display cyclical behaviour: ABL returns tend not to be cyclical |
| • Fund's ability to deliver targeted annual returns: over the next 1 year | ↗ | • Conditions for the fund to out perform: Relative out performance increases with an increase in interest rates |
| over the next 3-5 years | ↗ | • Max. capacity of the fund (AuM): Poised to take advantage of growing capacity in the ABL space currently manages USD1.7bn + |

Investment Insights

- | | |
|---|---|
| • Target audience institutional investors | • Tax breaks The fund is registered in the BVI & not subject to any tax treatment |
| • Level of complexity moderate | • Liquidity provided fairly illiquid |
| • To optimise returns, recommended avg. holding period min. 12 months | • Transparency provide moderate |
| • Geographic access available to investors from all countries | • Reg. with FSA in the UK; SEC, in the US |
| • Currencies the fund is available in USD, EUR, CHF, GBP, JPY, SEK | • Rating - |
| • Fund offers uncorrelated returns and low volatility | • Awards won Best Newcomer FoF – MAR Hedge Awards 06 |
| | • Risk/reward compensation fairly high |

ACADEMIC ACCESS: INVESTING IN ART

The mid year, 2005 to 2006 annual return in the Mei Moses Semi Annual All Art Index of over 22% is surpassed only by the returns in 1999 and the art bubble years of 1987 through 1990. **The result significantly outpaced the 8.3% increase of the S&P 500 total return index in the same period. It is for the first time, the most recent 5 and 10 year returns for art 11.3% and 8.5% respectively, have exceeded the returns of stocks 2.5% and 8.3% respectively** says Michael Moses who has developed the Mei Moses index with fellow professor Jianping Mei, at the Stern School of Business, NY. Moreover, based on their research, they have been able to establish that there is a low correlation between the semi annual percentage changes in art (the Mei Moses Art Index) and stocks (S&P 500 TR) Indices since 1961. This indicates that art should play a positive role in portfolio diversification says Moses.

What is the significance of repeat sales data?

The result of Christies and Sotheby's New York based auctions last spring yielded an additional 540 repeat sale pairs to our database - which now contains 9500 pairs. Using a subset of this data, for pairs with an original purchase date after 1960, gave us enough data for each 6 month period to allow the creation of the Semi Annual All Art Index. The data is compiled from the four major collecting categories: Post War and Contemporary, Impressionist and Modern, Old Master and 19th Century and American before 1950. However, we do not have sufficient data to create semi annual indices for all collecting categories. We could use the new information to estimate annual results in the other four categories, *under the assumption that the spring data comprises the entire data set.

Is a repeat sale index superior to an average price index for determining the returns of heterogeneous goods?

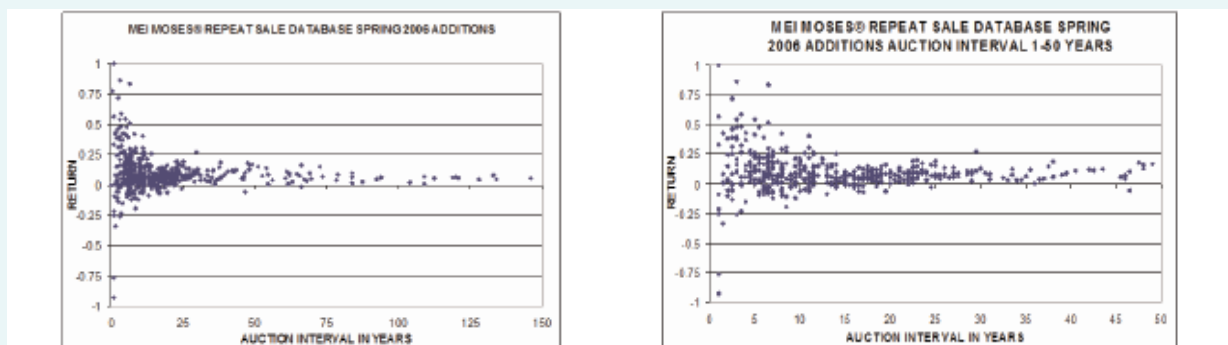
Indices derived from the repeat sale database have less volatility and provide a closer approximation of the true returns from the purchase and sale of the underlying objects than average sale price indices. Moreover, the repeat sale database is comprised of actual returns from individual transactions and thus can be used to determine how exogenous factors, such as holding period and purchase price, affect these returns. That analysis cannot be performed using an average price data base that contains only sale price information without an associated purchase price.

Is the market for post war and contemporary art becoming over heated?

For 2006 in those categories, (*based on the assumption) the most striking result of our analysis was -

- ***The post war and contemporary index would have grown by over 55% on an annualised base in 2006***
- ***The impressionist and modern market also would have been strong, with an annualised return of 12% for 2006***
- ***In contrast, the American and Old Master returns would have been only slightly positive and slightly negative, respectively***

This analysis backs up the view of many art market participants that the market for Post War and Contemporary Art might be becoming overheated.



A frequently voiced concern is that art is an appropriate investment only for the super wealthy.

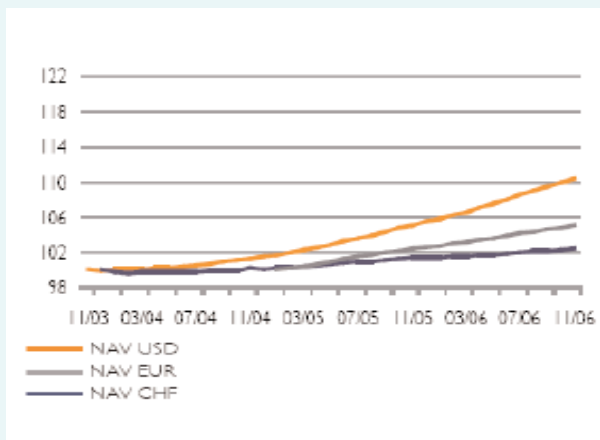
One reason for this is the expectation that the highest returns might only be achieved by the most expensive works of art. To simply address this issue we plotted the returns vs. purchase price for the objects to their data base this spring. To improve the visual image of the charts (refer to above) we have included only items with returns in the -75% to +75% range and purchase prices less than the USD1million. The trend line in this case is approximately flat and would not be significantly changed by the inclusion of the deleted data.

The mean return for objects with a purchase price of less than USD 1 million is 10.4%.

While for objects whose purchase price was USD 1 million or greater it was 7.57%.

This data has not been adjusted for the length of the holding period, but the results conform to our prior research where this information is included. **High priced fine art underperforms and Low priced fine art outperforms the art market index.**

SPECIAL PURPOSE INVESTING : "RESPONSABILITY" GLOBAL MICROFINANCE FUND



Fund's performance since inception
Source: responsAbilitySocial Investment Services AG

Focus: Social investing/micro finance (mf) and fair trade investing. The portfolio consists of loans and indirect lending to micro finance institutions (mfis) globally - through partners, mandates or via specialised investment vehicles.

Strengths: ability to identify and select: investment recipients in developing/ transition countries and establish a network of experts in those markets

Weaknesses: high fees/transaction cost with respect to the annual returns generated

Opportunities: Returns exhibit a very low correlation to other asset classes; currently only 200 of the estimated 10,000+ mfis worldwide are accessible to private investors

Threats: High political risk; lack of a secondary market; easy availability of subsidized money

Risk Assessment

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

- | | | | |
|--|-----------|--|-----------|
| • Weightage attached to a mfi's track record | □ □ □ □ □ | • Default risk linked with direct investments in mf assets | □ □ □ □ □ |
| • Relevance of an onsite DD | □ □ □ □ □ | • Fraud risk borne with direct investments in mf assets | □ □ □ □ □ |
| • Relative to investing in traditional assets, risk associated with mf | □ □ □ □ □ | • Liquidity of underlying asset | □ □ □ □ □ |
| • Default risk linked with indirect investments in mf vehicles | □ □ □ □ □ | • Currency risk | □ □ □ □ □ |
| • Fraud risk linked with indirect investments in mf vehicles | □ □ □ □ □ | • Political Risk | □ □ □ □ □ |
| | | • Competition related risk | □ □ □ □ □ |
| | | • Leverage used | □ □ □ □ □ |
- none

Performance Parameters

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

- | | | | |
|---|-----------|--|-----------|
| • Access to deal flow | □ □ □ □ □ | • A conservative / balanced portfolio | □ □ □ □ □ |
| • Ability to diversify globally | □ □ □ □ □ | • An aggressive portfolio | □ □ □ □ □ |
| • Ability to secure loans with varying maturities | □ □ □ □ □ | • Avg. annual correlation to equities | = 0 |
| • Ability to perform in a rising, falling, sideways trending market | □ □ □ □ □ | • Avg. annual correlation to bonds | = 0 |
| • Benefit of inclusion | - | • Avg. annual correlation to hedge funds | = 0 |
| | | • Since inception, consistency in delivering targeted annual returns | □ □ □ □ □ |

Outlook

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

- | | | |
|---|------|---|
| • Fund's investment outlook for global mf | ↔ | • Do ABL investments display cyclical behaviour: generally no |
| • Peer group perception of investing in the space | ↗ | • Conditions for the fund to out perform: relative out performance in a low interest rate environment |
| • Ability to deliver targeted annual returns: | | • Conditions for the fund to under perform: increasing competition in funding mfis could lead to excess and "cheap" liquidity - exerting downward pressure on returns |
| over the next 1 year | ↔ | |
| over the next 3-5 years | ↗ | |
| • Barriers to entry | high | • Max. capacity of the fund (AuM): as secondary market activity grows, the fund is capable of broadening AuM |

Investment Insights

- | | |
|---|---|
| • Target audience pvt. & institutional investors, pension funds, endowments | • Geographic limitations Not available to US citizens & to those living in the US |
| • Level of complexity investor friendly | • Fund currencies (base currency USD) EUR, CHF |
| • Fund focuses on social investing | • Liquidity provided moderate |
| • To optimise returns, recommended avg. holding period 2/3 years | • Transparency provide high |
| | • Risk/reward compensation adequate |

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