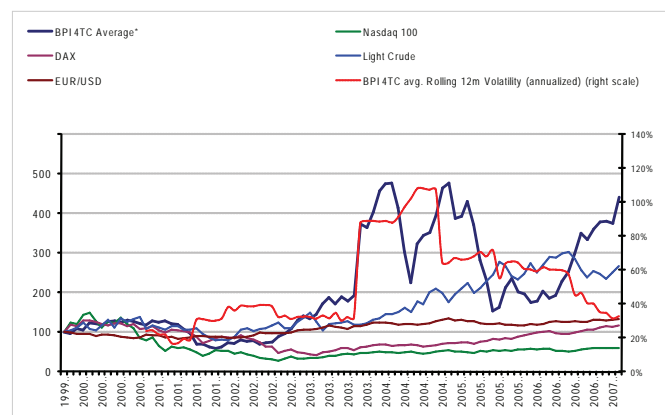


SHIPPING



Title: Shipping correlations
source: Okeanos Shipping Fund

OKEANOS SHIPPING FUND

Focus: The fund generates performance by exploiting the persistent opportunities resulting from inefficiencies within the dry shipping market. It invests in both the derivatives and the physical shipping market

Strengths: Blends HF Navigator's sector specific expertise (chartering, FFAs - forward freight agreements) with Aquila Capital's hedge fund expertise

Weaknesses: • Better suited to investors with a medium to long term investment horizon

• Performance could be challenged in periods of low to ranging volatility; illiquid market conditions

Opportunities: • Currently it is a highly inefficient market (high risk premiums)

• Physical freight market: volatility has greatly increased over the past 4 years and is expected to stay high

(Performance is extracted from volatility which is high - max.20%)

Threats: Counterparty trading risk

Risk Management

Low Low / Moderate Moderate Moderate to High High

- Major risk: Directional risk in the case of FFAs in combination with a credit default
- Ability to identify and exploit relative value opportunities within the shipping and freight markets ☐☐☐☐☐☐
- Ability to exploit volatility: ☐☐☐☐☐☐
(close collaboration between the physical and derivatives desk)
- Ability to secure credit: 85% of funds assets invested in daily liquid instruments
- Leverage used: max.150% - avg. 100%
- Currency related risk: (fund is invested in USD) ☐☐☐☐☐☐
- Key man risk: (team approach) ☐☐☐☐☐☐

- Ability to manage:
 - Market risk : managing positions and cash flows with own developed IT-System called "AC.mar" ☐☐☐☐☐☐
 - Geo-political risk: ☐☐☐☐☐☐
 - Counterparty risk: (in depth counterparty research; experience in trading FFA's OTC - fund has specific limits for each counterpart in terms of "how many days they will trade max with each" and ability to calculate profit and loss for each counterpart to manage limits) ☐☐☐☐☐☐
 - Liquidity related risk ☐☐☐☐☐☐
 - Valuation risk (using Baltic Forward Association (BFA) for FFA valuation; for physical valuation the administrator gets numbers from two independent companies) ☐☐☐☐☐☐

Performance Parameters

Low Low / Moderate Moderate Moderate to High High

- Avg. no. of positions held in the portfolio: fairly concentrated
- Ability to exploit dramatic structural changes: ☐☐☐☐☐☐
- Diversification achieved by:
 - strategy: FFA direction 50%; FFA Spreads 10%, Physical 40%
 - route :Trans-Atlantic, Trans-Pacific, Taiwan/Japan, Far East to Europe
 - vessel type: current focus Panamax
 - freight carried focus: dry freight
 - position time frames 1 day - 10 /12 months - avg. 6 months

- Conditions for the fund to outperform: increased use of shipping derivatives, growing world trade, dislocations
- Conditions that would lead to an underperformance: illiquid market conditions, low volatility
- Max. drawdown per day: -4% (probability of occurrence 2.5%)
- Max. drawdown per week: -8% (probability of occurrence 0.5 %)

Outlook

- Barriers to entry: an in-depth understanding of the fast paced and highly complex freight trading environment; network
- Scope for a freight fund: upside potential
- Threat posed by competition: currently few market participants pursue a similar strategy
- Probable correlations to:
 - Stocks S&P500: 0.14; Nasdaq100: -0.18
 - Bonds: REX Index: 0.6
 - Commodities: Crude Oil: 0.50

- Performance in:
 - volatile markets: high
 - during periods of low vol. focus shifts to physical side: range bound
- Ability to deliver targeted returns over:
 - the next 12 months: high
 - over the next 3-5 years: range bound (shrinking risk premia) to high

Investment

- Current AuM: 20 mn
- Targeted AuM: soft close at: USD35 mn; mid term capacity: USD150mn
- Targeted annual net returns of: 25%
- Target audience: sophisticated investor
- Level of complexity: high

- To optimise returns, recommended avg. holding period: 2 years
- Available to investors: (geographic restrictions): none
- Base currency: USD
- Transparency: high
- Manager/Fund is authorised by: Manager by BaFin (Germany)

Contact Information:

Okeanos Shipping Fund
Fund's manager: Aquila Capital Concepts GmbH, Fund's advisor: HF Navigator GmbH

Telephone : +49 40 / 411 619 100
Email : hartwig@hf-navigator.de
Website : http://www.aquila-capital.de, http://www.hf-navigator.de