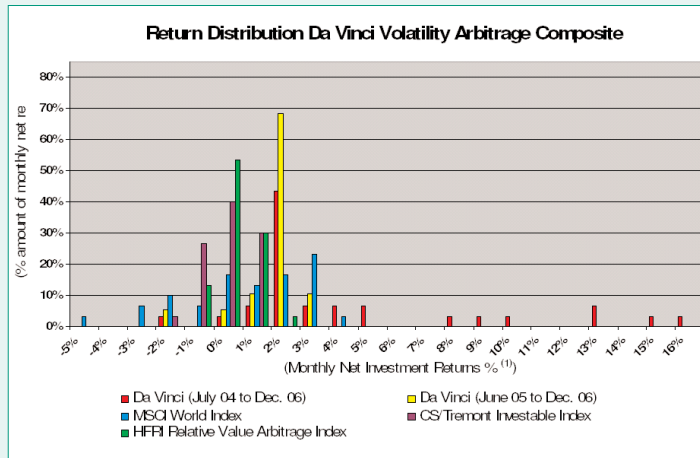




## FINANCIAL FIX: DA VINCI VOLATILITY FUND



Investment performance: June 2004 - Dec. 2006

source: Da Vinci Invest

**Focus:** volatility arbitrage strategies - the fund's multi-strategy platform includes volatility arbitrage in the form of sophisticated long/short gamma strategies, gamma scalping. It specialises in arbitrage strategies based on highly advanced computer programming techniques. The fund targets market niche opportunities where inherent and momentary price inefficiencies exist. Their proprietary statistical models and automated trading robots monitor global markets and exploit situations where unexpected events push derivative prices unrealistically high or low. Spread trading accounts for 70% of their trading strategy: ie. pairs trading, volatility spreads. There is an execution risk because differences occur but only in a very short time frame. Trading robots adjust the risk frequently

**Strengths:** specialised in EUREX options - based on the team's extensive experience; disciplined and stringently enforced risk management, cutting edge IT

**Weakness:** fee structure (25% performance fee)

**Opportunity:** volatility as an asset class is gaining momentum

**Threats:** competition from large banks, hfs active in the same space

## Risk Assessment

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

What is the major risk? Long gamma; (trade specific); theta

Managed by: Risk management software – in house programming expertise - 75% of the executed trades are positive

Expertise in identifying opportunities where the implied volatility is inconsistent with historical volatility: □ □ □ □ ■

Accuracy achieved in forecasting future volatility: □ □ □ □ □

Precision in judging correctly how realised volatility will move relative to the implied vol of option positions placed: □ □ □ □ □

Ability to consistently maintain portfolio's delta neutrality: (trading robot –delta hedging, gamma scalping): □ □ □ □ ■

Inherent proprietary model based risk: the model continuously adapts itself to the changing market conditions □ □ □ □ □

Human factor (trader's confidence) risk: disciplined and stringently executed risk management □ □ □ □ □

Leverage related risk: margin to equity risk: No more than 5 % margin of an account / NAV will be in any single trade/ position □ □ □ □ □

Currency related risk: □ □ □ □ □

Risk posed by managed accounts - i.e. ability to manage separate account pari passu to the flagship: trade splitting: □ □ □ □ □

Key man risk: □ □ □ □ □

## Performance Parameters

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

Annual cost of commissions and brokerage paid as a % of avg. annual net performance: lowCost of slippage as a % of avg. annual net performance: fairly lowPercentage of portfolio – on avg. allocated to OTC options (2%) vs. listed options (98%)

Efficiency achieved in putting capital to work: ■ ■ ■ ■ □

Portfolio's option profile: moderately conservativeOn avg. % of profitable vs. non-profitable trades: 75%:25% ■ ■ ■ ■ □

Diversification achieved by options in the portfolio:

On a geographic basis: EUREX options onlyOn a time horizon basis: option: 3 -6 days: option

Volatility strategies implemented: ■ ■ ■ ■ □

Trader: specialists, 4What justifies your above avg. fees? Retain trader talent

## Outlook

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

Barriers to entry: Define: trading experience required; high start up costsScope of trading volatility as an asset class ↑  
Ability of the fund to consistently deliver returns:Over next 3 months: yesNext 12 months: yesNext 3 years: yesFunds outperform: in fast moving markets on external shocks like earthquakes, terrorist attacks, political events of monetary (tax changes) and geopolitical significance & Fund tends to underperform when: when markets are very slow, without movementsAbility to deliver uncorrelated returns: high

## Investment Insights

- Target audience: institutional investors, family offices, HNWI
- Level of complexity: high
- Fund offers: uncorrelated returns
- Geographic access: restricted to US, Singapore investors

- Currency available in: EUR
- Liquidity provided: monthly
- Transparency provide: high
- Reg. with: Swiss authorities