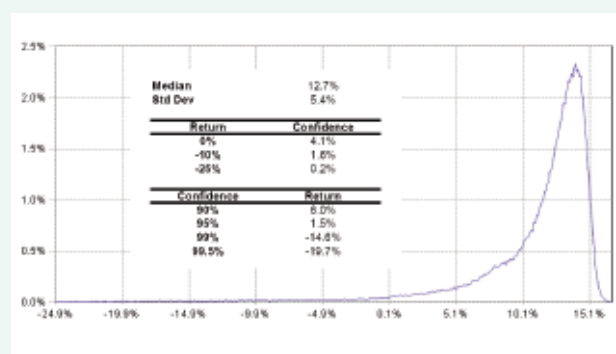


INSURANCE LINKED SECURITIES



Portfolio return distribution

Source: Securis Investment Partners LLP

SECURIS I FUND

Focus:

- Open-ended insurance fund, diversified by type of risk, geography and issuer
- Consider all types of insurance events, but have a preference for low-severity, high-frequency risks over high-severity, low frequency risks.
- Particular interest in junior tranches of (life) insurance securitisations
- Target minimum 12% net return with low volatility and tail risk

Strengths:

- Strong team and investment platform
- Combines life risks with non-life risks
- Strategic partnership and capital commitment from Swiss Re

Weaknesses:

- Suited to investors with a relatively long term time horizon (restricted liquidity)

Opportunities: Non-life:

- Cycle represents significant opportunities,
- Regulatory /rating agency arbitrage
- (Re)insurers place high value on capital market capacity
- Complementary to life strategy (frequency of opportunities)
- Provides liquidity (traded market; short term pvt. market)

Life and pensions:

- At an early stage of dramatic restructuring, strong strategic interest in developing market
- Increasing rating agency pre-occupation with structure and quality of capital
- Securitisation emerging as a high-quality, low cost form of capital

Sustainable returns

- Strategic value to issuer allows for in pricing, novelty premium, liquidity premium,

Threats:

- There may be times when there is a lack of attractive investment opportunities - this could result in lower re-investment returns

Risk Management		<input type="checkbox"/> = low <input type="checkbox"/> = low/moderate <input type="checkbox"/> = moderate <input type="checkbox"/> = moderate to high <input type="checkbox"/> = high				
• Ability to source investment opportunities:	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	• Portfolio Volatility:				
• Ability to analyse potential investment opportunities:	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	• Valuation risk:				
• Ability to analyse individual securities and optimise their contribution within the portfolio:	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	• Pricing of OTC instruments: <i>done by administrator with market makers</i>				
• Actuarial and mathematical expertise:	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	• Counterparty risk:				
• Expertise in structuring of cash flow by tranching:	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	• Currency risk:				
• Financial leverage related risk:	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	• Market risk:				
		• Event risk: <i>exists, but well diversified - robust portfolio</i>				
		• Key man risk:				

Performance Parameters		<input type="checkbox"/> =insufficient <input type="checkbox"/> =adequate <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> = satisfactory <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> = good <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> = outstanding				
• Positions currently held in the portfolio:	approx. 50	• By issuer: <i>(insurers, reinsurers, investment banks and other risk aggregators)</i>				
• Efficiency in putting investor capital to work - <i>focus on achieving a sensible growth rate</i>		• By maturity (avg): 5 years				
• Diversification:		• Ability to sustain targeted performance in rising, sideways and falling markets:				
• By strategy: life 54.8%; listed non-life (property and casualty) 26.1%, private non-life 19.1%		• Since inception, consistency in delivering targeted returns:				
• By types of insurance risk (<i>catastrophe, mortality, longevity, health, property and motor</i>)		• Ratio of expense (ex fees) to NAV:				
		In January 2007 approx 2.5 bps per month (NAV USD199.20mn)				

Outlook		<input type="checkbox"/> upside potential <input type="checkbox"/> upside to range bound <input type="checkbox"/> range bound <input type="checkbox"/> range bound to down <input type="checkbox"/> downside potential				
• Barriers to entry: <i>expertise, infrastructure</i>		• Ability of the fund being able to deliver targeted returns over the next:				
• Outlook on investing in the insurance sector:	<input type="checkbox"/> <input type="checkbox"/>	• 1 year:				
• Scope for a fund such as Securis:	<input type="checkbox"/> <input type="checkbox"/>	• 3-5 years:				
• Threat of competition:	<i>non-issue</i>	• Worst case scenario: <i>a global pandemic - flu</i>				

Investment Insights

- Fund is primarily targeted at: *institutional investors*
- Investment horizon: *min of 1 year and up to 5 years*
- Geographic restrictions: *traditional hedge fund structure*
- Fund's base USD and other currencies it is available in: *EUR*
- Fund complexity for an investor: *relatively complex*
- Transparency provided to investor: *high*
- Securis Investment Partners LLP is registered with the *FSA*