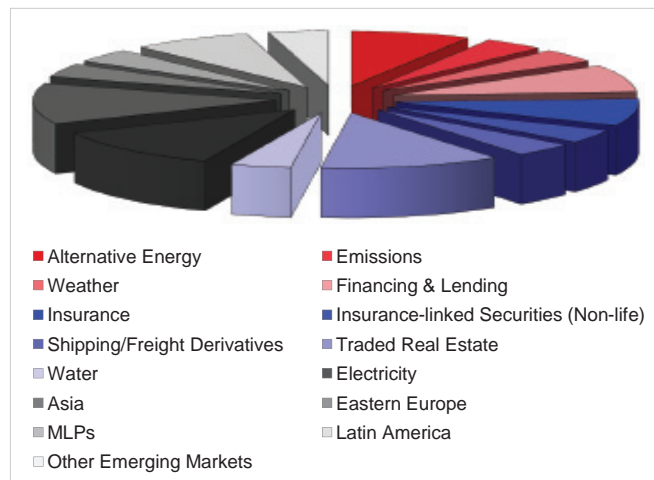


INNOVATION



47°N Innovation Fund Exposure
Source: 47°N Capital Management

47°N INNOVATION FUND

Focus:

- Offers diversification and global access to selected hedge fund managers that pursue strategies in "alternative" investment areas
- Areas of innovation: up-coming strategies, instruments, sectors; unveil opportunities in emerging markets
- Targeted return of 15-20% (net of 1.25%/10% p.a. fees) with a target volatility of around 6-8%

Strengths:

- Research & development (aimed at uncovering "innovative" managers, markets, strategies, sectors)
- Identification of tail-risks and its implication on portfolio construction and management
- Designed to secure "first-mover advantage" that captures early market opportunities (inefficiency-premium)

Weaknesses:

- Illiquidity constraints posed by underlying markets

Opportunities and threats:

- "Reserve" capacity in evolving markets
- Time-lag to diminishing inefficiencies

Risk Management

Low Low / Moderate Moderate Moderate to High High

- Risk at portfolio level:
 - Underlying markets: Liquidity constraints
 - Regulatory changes in new areas (e.g. emissions)
- Ability to source innovative managers: ☐☐☐☐☐☐
- Due diligence expertise: ☐☐☐☐☐☐
- Portfolio construction: Allocation matrix: allocation verified by risk exposure & liquidity characteristics
- Avg. monthly correlations amongst managers <0.3
 - Market and portfolio risks: Dispersed by diversification
 - Time required to liquidate the portfolio: Generally no liquidity mismatch, i.e. liquidity in line with the underlying liquidity (<150 days)

- Key person risk: ☐☐☐☐☐☐
- Manager specific risks
 - Investment: ☐☐☐☐☐☐
 - Leverage used: ☐☐☐☐☐☐
 - Valuation: ☐☐☐☐☐☐
 - Operational risk: ☐☐☐☐☐☐
 - Legal (structure, contracts, compliance) risk: ☐☐☐☐☐☐
 - Manager's reputation related risk: ☐☐☐☐☐☐

Performance Parameters

Low Low / Moderate Moderate Moderate to High High

- No. of position: Approx. 20
- Diversification:
 - Geographic: Global; Broad based
 - Innovation area exposure: Diffused
 - Strategies, instruments: Diffused
- Liquidity: At portfolio level – 1 year lock up
- Probable correlations with:
 - MSCI World Index: 0.4
 - Global JPM Govt Bond: 0.1
 - GSCI: 0.2

Outlook

- Barrier to entry: Experience, R&D expertise
- Outlook for a fund such as 47°N Innovation Fund: Upside Potential
- Threat posed by competition: Leader-laggard benefit
- Due to limited correlation expected to perform well in downturns
- Performance could be challenged during a convergence, when normally non-correlating sectors, start to correlate
- Post launch, fund ability to deliver targeted returns over the next 12 months: Realistic

Investment

- Soft open – plans to go live Q4 2007
- Capacity: USD 500mn
- Fund is targeted at: Institutional investors, pension funds, HNWI
- Recommended holding period to optimise returns: min.24 months
- Fund's base currency: USD, other currencies could be catered for
- Transparency provided to investors: Good
- Manager is registered with: SEC registered