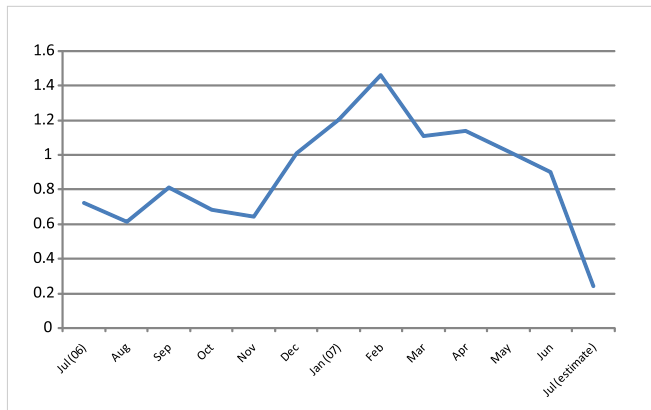


## ASSET BASED LENDING



Mont Blanc – Monthly Performance in USD (please also refer to the appendix)  
Source: Peak Partners

## MONT BLANC SELECT

**Focus:** Offers access to a robust, diversified portfolio of non-correlated investments - primarily in the asset based lending (ABL) and highly collateralised asset space

**Strengths:**

- Portfolio management experience
- Sector relevant expertise
- Defensive portfolio
- Ability to negotiate capacity

**Weakness:**

- Better suited to those with a medium term outlook
- Liquidation value of collateral < Loan

**Opportunities:**

- Offers “non-correlating” high risk adjusted returns
- Falls outside the purview of traditional banks, hence there will always be a need for asset based lending
- Exploit inefficiency in capital-and credit market

**Threats:**

- Cost of credit influences the leverage applied
- Borrowers can access fund at more competitive conditions
- Under 1929 depression type conditions – performance would be challenged

## Risk Management

- Main risk at portfolio level: **valuation, asset repossession capabilities**
- LTV ratio: **60% collateralised**
- Diversification:
  - Geographic: **US 74%; Europe 10%, Others 16%**
  - Provider: **Currently 31 managers**
  - Duration: **Avg. 14 months**
- Liquidity of underlying
  - Ability to “correctly” value and gauge liquidity of the underlying asset: ☐☐☐☐☐
- Valuations
  - Probability of the underlying positions encountering default risk:
    - Under normal conditions: **probability is lower**
    - Under stressed conditions: **higher than usual**
  - Ability to recover full value of collateral in case of a default
    - Under normal conditions: **very high**
    - Under stressed conditions: **fairly high**

☐ Low ☐ Low / Moderate ☐ Moderate ☐ Moderate to High ☐ High

- Ability to detect underlying manager's style drift: ☐☐☐☐☐
- Legal skills
  - Competency in reviewing the contingency clause of loans: ☐☐☐☐☐
- Shrinking risk premia: in the context of targeted AuM: ☐☐☐☐☐
- Risk of eroding returns: in the context of targeted AuM: ☐☐☐☐☐
- Leverage used: avg. annual (as of 31.07.07) **50%**
- Currency risk: **hedged** ☐☐☐☐☐
- Key Man Risk: ☐☐☐☐☐
- Key investor risk: ☐☐☐☐☐

## Performance Parameters

☐ Low ☐ Low / Moderate ☐ Moderate ☐ Moderate to High ☐ High

- No. of positions in the portfolio: **31 (is being scaled up to 40)**
- Concentration risk: **diffused via diversification** ☐☐☐☐☐
- Diversification achieved in terms of collateral securing the loan: ☐☐☐☐☐
- Efficiency in putting investor capital to work: **negotiated capacity:** ☐☐☐☐☐
- Ability to sustain performance in:
  - A rising interest rate environment: ☐☐☐☐☐
  - In a falling interest rate environment: ☐☐☐☐☐
  - Probability of performing during a period of increasing defaults: ☐☐☐☐☐
  - Since inception consistency in delivering targeted net annual returns: ☐☐☐☐☐
- Annual expense ratio: **Total Expense Ratio of 3.38%**

## Outlook

- Barriers to entry: **High, expertise needed, securing capacity**
- Threat posed by competition: **Exists, but has no bearing on fund's ability to perform**
- Scope for non-correlating, ABL, highly collateralised investments: **upside potential**
- Scope for a fund such as Mount Blanc Select: **upside potential**
- Correlations to:
  - MSCI World Index (as of 31.07.07): **0.29**
  - JP Morgan Govt Bond Index: (as of 31.07.07): **-0.13**
- Ability to deliver targeted returns over:
  - Next 12 months: **Realistic**
  - Next 3-5 years: **Sustainable**

## Investment

- Current AuM: **USD360mn**
- Targeted AuM: **USD800mn**
- Base currency: **USD other currencies available in: CHF, EUR**
- Targeted at: **Sophisticated investors**
- Complexity for an investor: **Moderate**
- Transparency provided: **High**
- Recommended holding period to optimise returns: **min 3 years**
- EBK Approval in process - expected in Sept.'07

**Contact Information:**  
Peak Partners,  
Chief Investment Officer, Ernesto Prado

**Telephone** : +41 22 818 02 23  
**Email** : prado@peakpartners.com  
**Website** : http://www.peakpartners.com