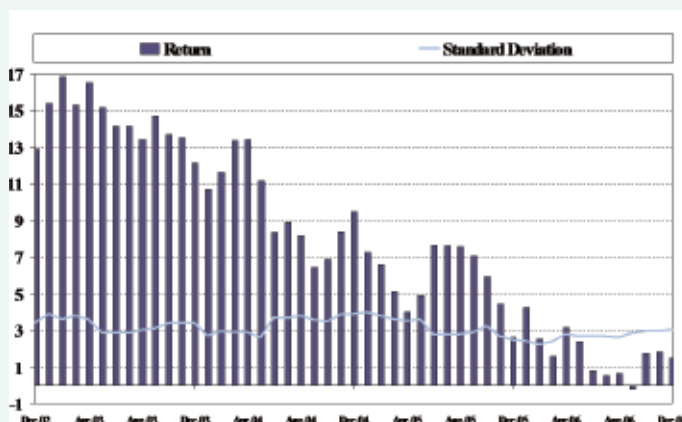


FINANCIAL FIRST: PGS FX ALPHA EDGE



The Parker FX Alpha Edge 1X-Rolling 12 month% reported performance (Jan.2002-Dec.2006) Source: Parker Global Strategies

Focus: An investible index designed to capture the alpha available in the global currency markets

Strengths: Industry recognized expert in currency research and management. Index constituent managers bear a very low correlation to the currency market beta. Diversifier for a multi-manager hedge fund portfolio or a FoHF

Weaknesses: The portfolio of currencies is primarily weighted towards the majors with some exposure to emerging market currencies as well

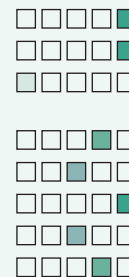
Opportunities: FX managers are under-represented in most multi-manager hedge fund and FoHF allocations. Portable alpha with a zero beta engine. FX overlay for international or global portfolios

Threats: Not immune to the cyclical behaviour exhibited by FX markets

Risk Assessment

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

- Ability to track and control risk posed by the underlying 16 FX managers
- Diversification achieved via the 16 chosen managers
- Avg. correlation among the 16 underlying manager
(Avg. correlation between pairs of managers = -0.07 to +0.15)
- Avg. correlation across the 8 strategies
- Relevance of currency concentration
- Relevance of leverage related risk
- Relevance of macro economic risk; political risk
- Key man risk



Performance Parameters

□ = insufficient □ = adequate □ = satisfactory □ = good □ = outstanding

- Ability to identify and secure alpha delivering index inmates
- Criteria applied:
beyond having passed the qualitative +quantitative due diligence process the manager had to produce a net annual return of at least 5% over the risk free rate
- Conditions that would trigger an underlying manager replacement
Departure of key personnel/not viable owing to the structural changes in FX markets, contd. underperformance relative to peer group with a similar style
- Ability to deliver uncorrelated (to the major asset classes +hf) returns
- Ability to deliver returns in a rising, falling sideways trending markets
- Annual expense ratio to be expected



Outlook

- Scope for an investible FX index = holds promise
- Ability to achieve targeted performance = fairly high
- Barriers to entry in the space = fairly high
Major barrier- expertise in being able to structure and construct an index
- Conditions needed for an outperformance – strong trending markets without sharp reversals
- Conditions that would lead to underperformance – historically low volatility and a trendless market environment
- Max. capacity that can be managed: USD 3-4bn

Investment Insights

- Min amount to be invested: USD 1ml to 25 mn
- Targeted annual net returns: 5% in excess of the short term interest rate
- Fees: 2.75%+25%
- Target audience: investors looking for diversification looking
- Level of complexity: specialised knowledge required
- To optimise returns, recommended avg. holding period = 3 to 5 years
- Available to: non US investors + to tax exempt US investors
- Currencies the fund is available in: US, EUR, JPY
- Liquidity provided by the fund : monthly

A SQUAREXCLUSIVE

FIRST ENCOUNTERS WITH "FUNDCREATOR" - PROF. KAT& ITS FIRST OFFICIAL USER RON WESTDROP, PARTNER TALER GROUP

Harry: Have you personally used FundCreator to create the fund of your dreams?

I would like to, but due to the high multipliers of most futures contracts the minimum size required to run a FundCreator strategy just for your own use is in the USD15-20 mn range. Unfortunately, I haven't made it to that level of the game yet.

Ron: When was your first "unofficial" and "official" encounter with FundCreator?

I have known Harry for over 20 years, initially at the European Options Exchange in Amsterdam and later in several capacities in London. He has always been a very creative and "out-of-the-box" kind of guy. He told us about his FundCreator idea and we were immediately interested. Over the last two years we have watched the FundCreator project develop from being a theoretical concept into the sophisticated, highly practical platform that it is today.

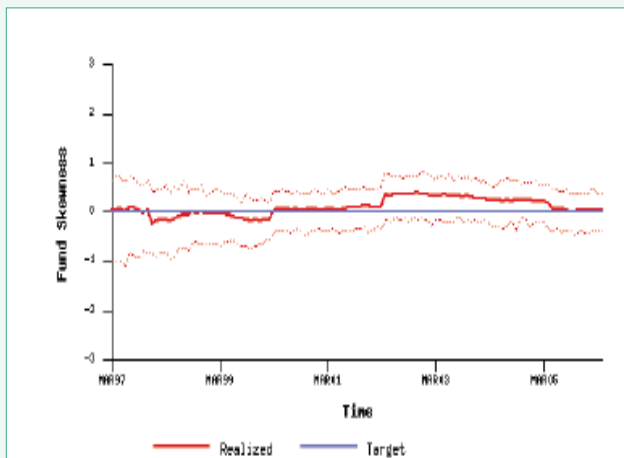
Harry: What was your primary motive in designing FundCreator?

One has the ability to give more direction to the evolution of one's wealth by dynamically trading it as opposed to just sitting on a position. This has never ceased to fascinate me. I even did my PhD on the subject. A combination of having a lot of experience with dynamic trading strategies coupled with the fact that investors were frantically scrambling for new diversification opportunities (and the price they were willing to pay for them) lead me to the next logical step. Investigate whether dynamic trading could be used to create new diversifiers, as well as reproduce existing ones at a better price.

Ron: As the first official user, the fact that FundCreator had no "real" track record did not deter you? Why?

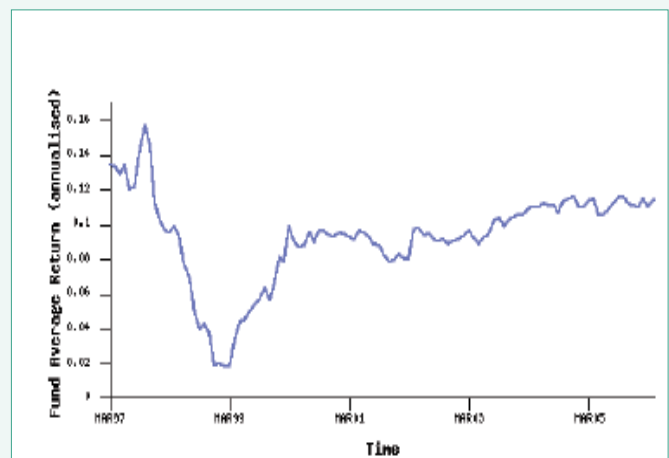
The transparency of the FundCreator system, including the mathematical proof behind the main procedures, and the many back tests that have been done - more than make up for the lack of a track record. We know exactly what and why FundCreator does what it does. In the end, this is highly preferable to having a few years of monthly returns to look at. FundCreator is not based on a particular investment philosophy that could be right or wrong.

A FundCreator designed Fund aimed at generating returns with a volatility of 12%, no skewness or kurtosis and no correlation with an investors existing portfolio (it is assumed that the investor's existing portfolio consists of 50% S&P 500 and 50% T-bonds, and the reserve asset is an equally-weighted portfolio of S&P 500, Russell 2000, Eurodollar, 2-year and 10-year note, T-bond and GSCI futures) -Source: FundCreator



Skewness graph

From the graph it is clear that over the entire period studied the skewness of the Fund return never deviated far from its target value. Given the at times tempestuous and erratic behaviour of markets, this is quite a remarkable achievement.



Annual return graph

Text It shows that after a significant dip in the first two years, the average return recovered quickly, converging to 11% in 2005/06. For an asset with zero correlation with stocks and bonds this is very good, as it means that the Fund offers very substantial diversification benefits but without having to give up expected return.

Ron: is FundCreator user friendly?

Yes, definitely. The manual is very instructive and there is help on every screen... and if all else fails, then Harry is just a phone call away!

Harry: FundCreator is extremely efficient as well. The calculations that need to be made every day are highly complex and would normally take long. We didn't want our users to just sit in front of a blank screen any longer than was necessary. So we spent a lot of time speeding up all those procedures...now we have brought it down to a matter of seconds. We have done and continue to do numerous tests, and without exception all of these confirm the robustness of the system.

Harry: How did you arrive at the initial 76 different future contracts? **Ron:** is that enough?

The futures contracts have been selected based on their liquidity. We need contracts to be sufficiently liquid because the

FIRST ENCOUNTERS WITH "FUNDCREATOR" ... continued

strategies that FundCreator produces are dynamic in nature and require frequent exposure adjustments, just as when hedging options. That is also why we periodically check whether the contracts in the system still satisfy our criteria and remove them if they don't. In the short run, we don't expect to add more contracts.

Ron: Yes, that is more than enough. We will probably only use 10 or 12. Of course, you need to build yourself a well-diversified portfolio, but that does not require so many different futures.

Ron: has it helped you design the ultimate "diversifier" you were looking for?

It certainly has. We are not going to replicate an existing hedge fund or hedge fund index. Rather, we are going to create something completely new. Harry always says: "why replicate if you can create" and he is right. We will be aiming for a very low correlation to stocks and bonds. In our mind, that is what a good diversifier is all about. If you take a typical portfolio and introduced an asset that bears a very low correlation, say zero, to the rest of the portfolio - it is quite amazing to see how much that improves that portfolio's Sharpe Ratio.

Harry: How do you react to an industry wide trend in sinking management fees (1%&10%)? Vs. FundCreators min. investment of USD20mn+a one off licence fee of EUR 4000. +a flat monthly fee of 0.03% of the money managed using FundCreator + daily cost of executing futures + a one year sign up to start with Unlike the fees on other alternatives, which primarily seem to be based on what the market will bear, the FundCreator licence fee is cost price based. It has been calculated based on the time and money that we have already spent on developing it; the cost of maintaining it and the amount we would need to and like invest in it going forward. The USD20 mn minimum investment has a purely technical background. The Euro 4000 pay for the necessary paper work and for customer support costs. The execution costs are borne by the investor's account, just as in any other fund or structure. FundCreator users obtain a licence to use our software in return for a monthly fee.

Harry: Do you expect competition from "copy-cat -creators"?

There are undoubtedly people thinking about it, but our extremely low profit margin provides some protection in that respect. Only highly profitable ideas tend to attract copy-cats. In addition, we have spent years figuring out the econometrics behind the system, including an ever-growing number of procedures that are strictly proprietary and which we will never publish. In short FundCreator in its current form is very hard to re-engineer and even if one succeeded, the profit margin is so low that it is unlikely you would ever recoup your investment!

Ron: If something in the magnitude of a "9/11 event" were to arrest financial markets - how insulated from a loss? and how much upside potential would your FundCreator engineered investment bear?

Harry has done a number of stress tests. Based on the results, I am not too worried that we'll suffer too badly - part of the secret lies in the low correlation target. To get that low correlation you need to have short positions in your portfolio as well. In times of crisis those short positions will act as a buffer.

Harry: Obviously, in case of some unexpected extreme event you are going to be in there, just like everybody else. However, how much you actually pick up depends on how well diversified you are and whether you have some natural hedge in place. We recommend FundCreator users only to hold a less than well diversified portfolio if they have a particularly strong view. Otherwise, they should be well diversified. In addition, when you aim for a very low correlation with stocks and bonds, as many users will, then the FundCreator futures portfolio will be a long/short portfolio, which means you are naturally hedged to some extent.

"By construction, returns are drawn from the desired distribution and, forward-looking, will therefore have the targeted properties. **A= There can be temporary discrepancies between the target parameters chosen and the sample parameters generated.** However, this is likely to be **B= corrected as the sample becomes more representative for the distribution it is drawn from.**"

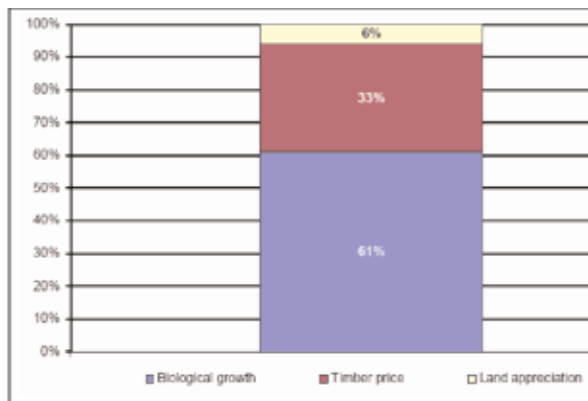
Ron have you actually experienced (A) and/or (B)? No, because we're not live yet. FundCreator contains an elaborate set of feedback mechanisms (they are very secretive about that), which turn active when there is a discrepancy somewhere. This ensures that in the long run you are always on target.

Harry: Have you had a lot of investors sign up or show interest in FundCreator?

Since we launched in late November06 the phone hasn't stopped ringing! We currently have 45 different users on the system; pension funds, family offices, endowments, investment banks, and asset managers from Europe, the US as well as the Far East and Australia. FundCreator has definitely become a global movement.

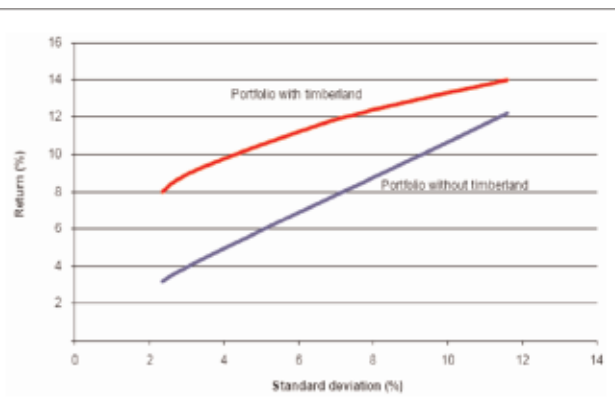
Comments... : Harry: Yes, one. I want to emphasize that FundCreator is not in the hedge fund replication business. We are fund creators. We create funds that generate returns with predefined statistical properties. If an investor wants properties similar to those found in the returns of a particular hedge fund or hedge fund index, then that is of course not a problem. However, there is no pressing reason for that. Just figure out what it is you've always wanted and tell us. There is a very good chance that we'll deliver!

RESOURCEFUL: TIMBER AS AN ASSET DIVERSIFIER



Components of typical timber returns

Source: Tim Corriero, FIA Timber Partners



Efficient frontier with and without a 10% allocation to timber

Timber is more than just “wood”... expertise gleaned from Tim Corriero, Managing Director of FIA Timber Partners

What makes investing in timber unique?

Like any commodity, timber returns are partially governed by the law of supply and demand. Yet what differentiates investments in timber from investments in other natural resources and perhaps from all other assets is quite simply - the fact that trees grow! In doing so they generate increased volume as there is simply more wood over time. This also leads to an incremental appreciation in their value – particularly, as higher value products tend to be made from larger trees. As a result, the natural growth exhibited by healthy forests is a major driver of investment returns. Returns that are heavily influenced by factors such as: soils, precipitation, species, site quality and management intensity. Forest “stands” (contiguous areas of trees, usually of the same age, managed similarly) are the factories for timber investments. Mathematical models of timber growth and yield have been developed for the prevalent species used by large-scale industries to accurately predict timber harvest, cash flows, and investment levels (capital expenditures).

In the US, taxable investors stand to benefit from timber’s unique tax advantages. The vast majority of timber returns (including the cash yield component of return resulting from the harvesting of timber) are eligible for capital gains treatment. Further, non-cash depletion expenses associated with removing timber from the property can reduce the effective tax rate to levels significantly below the capital gains rate, particularly in the early years of an investment.

What is the minimum amount that must be invested in timber?

The minimums for funds are probably around USD 5mn and the minimum for separate accounts ranges from USD50 - 100mn.

What are the different timber based investment vehicles available to an investor?

There are probably three ways to access exposure to timber based investment vehicles:

- : Public market equities, such as Plum Creek or Rayonier
- : Private market funds, such as FIA Timber Partners, managed by Forest Investment Associates (FIA)
- : Private market separate accounts, such as those managed by FIA

Use an example to illustrate how you construct a timber portfolio and how it achieves diversification.

Diversification can be achieved in a number of ways: by geography, by species, by age-class and by timber market. In order to create a sufficiently diversified portfolio, we believe, an investor needs to be invested in properties in at least three different timber growing regions and preferably have an even age class distribution at the portfolio level.

In the US, a diversified and balanced portfolio might include some combination of properties in:

- (a) the US south (the largest and most significant timberland growing region, stretching from eastern Texas to Virginia)
- (b) the Pacific northwest (Washington, Oregon and Northern California)
- (c) the Lake States (the upper peninsula of Michigan, Minnesota and Wisconsin)
- (d) the hardwood regions of Pennsylvania and New York
- (e) the extreme northeast states (primarily Maine and to a lesser extent New Hampshire and Vermont)

What are the correlations that can be expected among investments in a portfolio?

Our analysis of historical performance in different timberland regions in the US, indicates there are significant correlation benefits of investing in three or more different geographies, and we are happy to provide investors with the analyses we’ve done.

When should one liquidate such a portfolio and what are the annual returns?

Given the very long life cycle of the asset class (approximately 25 years in the US south, the fastest growing timber region in the US), the ideal investor has a very long-term investment horizon. A separate account investor can, in effect, have a perpetual position in timber, and benefit from yields of perhaps 4 to 6% annually. Funds, on the other hand, generally are structured to mature in 10 to 15 years. Current return expectations in the industry seem to be about 10% (nominal) annually, with potentially meaningful upside from non-timber sources of value such as real estate development and mineral and gas rights. In general, approximately half of the returns come from cash yield, and the other half from appreciation.

PRACTITIONER'S POINT



Bernard Lorient manages the only mutual fund in the world that invests in Platinum Group Metals

Why are you so keen on palladium and platinum?

For a fact, both metals are about 15 times rarer than gold! They are widely used in making auto catalytic converters that help reduce pollution from exhausts. This alone accounts for more than 54% of palladium and 57% of platinum demanded and this is expected to increase as tighter fuel-emission regulations fall in place. This and its use in making fuel cells used by auto manufacturers, anchor my belief that the metals hold potential. Besides, like gold, palladium and platinum are also used in making jewellery - especially China offers a large market.

What is the best way for an investor to allocate to the metals and mining space?

Without any hesitation I would recommend equity precious metals funds. On a relative basis they are actually cheaper than the metals they represent. Besides funds provide diversification and leverage benefits.

To accrue meaningful returns on a risk adjusted basis, what is the time horizon you would recommend for investments in the above mentioned?

Between 5-7 years.

What is your favourite pick as an "outperformer" in the metals space?

• over the next quarter?

Nkwe Platinum - because they are looking for a suitable partner. They will find one, but at higher prices.

• over the next 12 months?

Ridge Mining, because of its extremely low valuation. Its Chinese shareholder base is keen on a take-over particularly for its nickel assets and its presence in PGM.

• over the next 3-5 years?

Eland Platinum – its track record, based on the quality of its management, performance of first project and capacity that will be added through expansion. It is shaping up to be a one million ounce platinum group metal player and producer in five years.

In the near term, do you really believe metals still bear "upside" potential?

Yes, metals will continue to show relative out performance in an environment that is characterised by a falling USD, a reduction in short term real rates and the on set of a global equity bear market.

For how much longer do you believe this performance can be sustained?

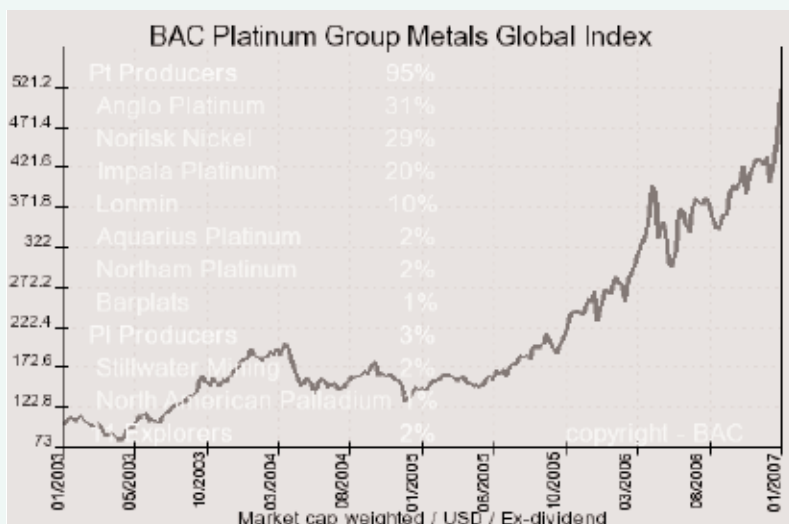
I believe precious metals will continue to outperform until the middle of the next decade. My assessment of the fundamentals (supply/demand, economic growth patterns shown in particular by BRIC and other the emerging economies and a possible bubble in the real estate sector) seems to suggest, metals will stand apart as the only "real" asset class

Don't you think "soft commodities" are slated to do better than metals & mining?

I think it is easier to produce corn than it is to extract platinum!

What is the biggest risk associated with investing in this asset class?

A global depression. Even if one did occur, I am convinced the metal and mining sector will outperform all the others thanks to the huge margins maintained by the platinum group metal producers, and the fact that more than 50% of the total demand is imposed by legislation.



What is distinctive about investing in the metals and mining space?

It is the ultimate real asset. It is peculiar in that psychology plays a significant role in determining prices. I still think it offers the best hedge against massive wealth destruction that could well occur owing to the risk posed by the USD400 trillion derivatives.

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