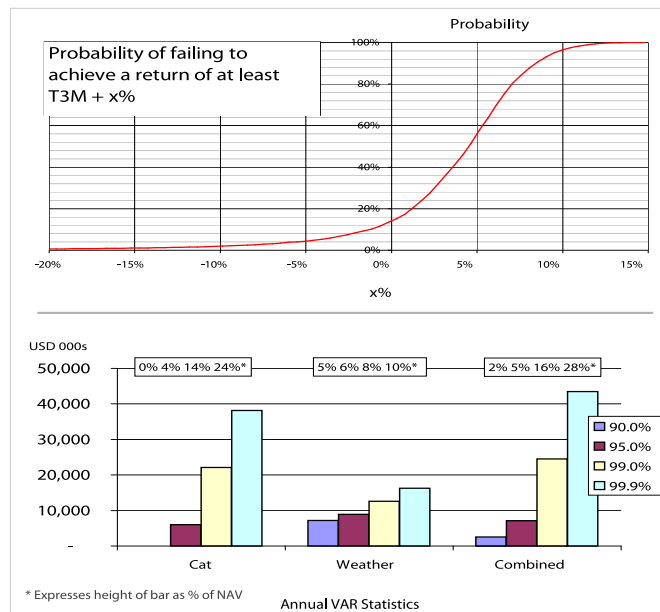


INSURANCE AND WEATHER LINKED INVESTING



Fund's Risk Management

Source: Coriolis Capital Ltd.

Risk Management

- The occurrence of: One or more major natural catastrophes, man-made catastrophe or mortality event; one or more extreme weather events over a sustained period of time
- Weather derivative risk: counterparty risk exists for OTC traded options
- Currency risk: hedged
- Leverage: max. 2:1
- Allocation conflicts of interests with other funds; managed accounts: (managed pari-passu)
- Key man risk:

Low Low / Moderate Moderate Moderate to High High

- Cat bonds:
 - How much does the spread reflect the expected value: ☐ ☐ ☐ ☐ ☐
 - Pricing risk: ☐ ☐ ☐ ☐ ☐
 - (Cat bonds - secondary market markers' independent prices)
 - Valuation risk: ☐ ☐ ☐ ☐ ☐
 - (for both pricing & valuation, exposure to the underlying risk cannot be manipulated)
 - Counterparty risk is very low for cat bonds, except for cat options

Performance Parameters

Low Low / Moderate Moderate Moderate to High High

- No. of positions: 100-150
- Standard Deviation of fund's monthly returns (annualised since inception): 0.93%
- Ability to deliver consistent, uncorrelated returns since inception: ☐ ☐ ☐ ☐ ☐
- Diversification:
 - Credit restrictions on short term investments:
 - 20% limit on one issuer (securities) and
 - 15% restriction applies to any climatic specific risk
 - Geographic: global (limit per region)
 - Instruments: cat bonds (diversification within peril opportunities), weather derivatives
 - Duration: cat bonds avg. 2-3 years; weather derivatives 3-12 months

Outlook

- Barriers to entry: Expertise
- Scope for Cat bonds and weather derivatives: Upside potential
- Fund outperforms when:
 - Cat bonds: rising reinsurance rates, absence of significant natural catastrophes
 - Weather derivatives: good diversification of deals (weather outcomes less volatile than generally perceived)
- Fund underperforms when:
 - Cat bonds: falling reinsurance rates, excess reinsurance capacity, occurrence of significant natural catastrophe affecting the fund's assets
 - Weather derivatives: low diversification of transactions
- Scope for a fund such as Horizon: Upside to range bound
- Threat posed by competition: Growing but limited

Investment

- Current AuM: USD158 mn
- Targeted AuM: USD 300 mn
- Recommended holding period to optimise returns: Min.3 years
- Restrictions: Not available to US Investors (however, a similar fund is available to US investors)
- Targeted at: Sophisticated investors
- Transparency provided: High
- Investment adviser: Authorised by the FSA
- Listed on the Irish Stock Exchange

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