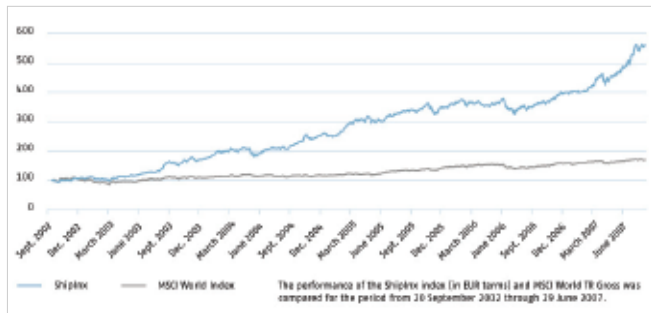


SHIPPING



Historical performance, Shiplnx vs. the MSCI World Index
Source: Berenberg Private Capital GmbH

SHIPINX CERTIFICATE

Focus: Certificate provides daily, liquid access to investing in global maritime transport (ship building, marine transport (tankers, general cargo vessels, bulk carriers and containerships) & services, cruise lines, warehousing, harbour transportation services)

- The Shiplnx Index certificates simply tracks 1:1 (minus fees) the performance of its underlying - the Shiplnx Index. It is an equally weighted, performance index (all income from dividend and bonus payments is reinvested) structured by Berenberg Private Capital and issued by HSH Nordbank
- The index constitutes 30 listed companies that are active in global maritime trade
 - (i.e. the largest shipping companies by market capitalisation (>USD800mn) and most liquid companies (daily stock market trading volume in excess of USD1mn in the last 12 months)
- Constituents are chosen on the basis of a model that "data mines" a universe of 756 eligible companies
- Each index constituent is equally weighted - ensures diversification and simultaneously captures the full performance potential of each stock

Strengths:

- Representative, diversified allocation to the global maritime sector
- Sector expertise and network
- Liquid, transparent underlying

Weaknesses:

- Passive underlying - as the index is rebalanced only once yearly
- Correlation to MSCI World Index: 0.65%
- Performance can be challenged by sudden, sharp shocks experienced by global equities
- Volatility - (which is also the source of returns): 16.06%pa

Opportunities: The global maritime sector is struggling to keep pace with a growing global population and to serve its ever growing resource needs

Threats: Shrinking transportation volumes between economies

Risk Management

Low Low / Moderate Moderate Moderate to High High

- Diversification achieved by the Index:

Geographic (US:23%)

Sector (67% marine transport)

- Avg. correlation to competitor maritime transport indices:

Baltic Dry Index: 0.02

Baltic Dirty Tanker Index: -0.06



- Ability to monitor and control risk posed by index constituents:

- Relevance of currency related risk borne by constituents of Shiplnx:

- Relevance of leverage related risk at certificate and Shiplnx level: none



Performance Parameters

Low Low / Moderate Moderate Moderate to High High

- Targeted performance = 22% pa

- Ability to identify sectors and exploit systemic sector risk:

- Expertise in structuring index:

- Conditions that would trigger a replacement in the Shiplnx index: a stock may not be included in the index if circumstances lead to the assumption that the essential liquidity decrease can occur in the following year when a stock no longer meets the liquidity criteria of achieving USD1mn turnover a day

- Ability to deliver uncorrelated returns to:

- Stocks:

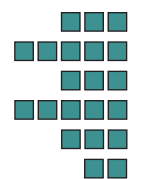
- Bonds:

- Commodities:

- Ability to deliver targeted net returns in a rising:

- Falling, sideways trending markets:

- Annual expense ratio is to be expected:



Outlook

- Barriers to entry: most of the existing indices are not investable, the others are not diversified and/or not liquid
- Scope for the global shipping sector: upside potential
- Scope for the Shiplnx certificate: upside potential
- Conditions needed for a relative outperformance = on-going global dislocation between demand and supply within the sector

- Conditions for a relative under performance: severe global recession
- Ability to deliver targeted annual returns:
 - 12 months: realistic
 - 3-5 years: sustainable
- Max. capacity that can be managed: unconstrained

Investment

- Target audience: broad based
- Level of complexity: low
- To optimise returns, recommended avg. holding period= min 3 years
- Available to investors: restrictions apply

- Base currency of the Index: USD - certificate is available in USD, EUR
- Liquidity provided: daily
- Transparency provided: high

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FOREIGN EXCHANGE

FX SERIES WITH HATHERSAGE CAPITAL – I

Foreign exchange (FX) absolute return is one of the purest forms of uncorrelated alpha and, unlike many alpha sources, requires little or no funding. Elaborate.

Currency is the only asset not valued in currency, but by another currency. If one currency goes up, another currency goes down, pure relative value. It takes two currencies to value one, meaning the asset is not one currency, but a currency pair.

Currency markets -spot and forward- the largest most liquid markets in the world, are based completely on credit. It does not take cash to trade FX if an entity is creditworthy. There is no cost for going long or short, no charge for borrowing a currency, no fee for lending and no central market or record of trade volume or price.

Funding requirements should not be confused with trading leverage. Trading leverage, controlled by managers, increases return and risk, a well understood concept. As an example, USD100 mn invested in an un-leveraged investment, with a 5% return will earn 5% or USD5 mn. USD100 mn invested in an actively managed currency account, funded with 10% or USD10 mn, with 5% return results in USD5 mn or a 50% cash-on-cash return. A currency trader, like any trader, can use leverage, something transparent in a managed account structure, but this is very different from efficient funding.

“Currency is the source of diversification” ...

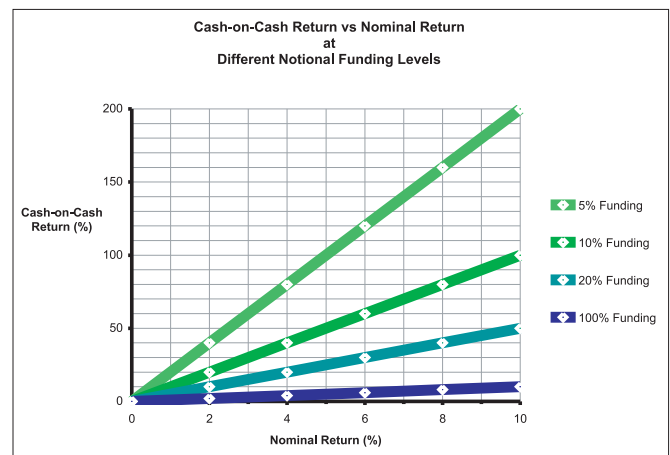
International diversification introduces the currency asset, the base currency and international currency, into portfolios. Many investors have learned about the diversification aspect of currency the hard way, as relative currency movements have produced unanticipated, uncompensated and unwanted volatility. In fact, international equity, fixed income and real estate markets are highly correlated without currency exposures.

What affects currency markets?

Economic, political and psychological factors affecting values of currency pairs are very different from factors affecting other asset markets. Supply is controlled by central banks, many use markets only for exchange values. Most currencies have only freely floated since the 1970's and many are still controlled by central banks.

Due to the unique nature of currency and FX markets, there is no expected return, no beta, to holding any currency pair. Skills required to understand and trade FX profitably are very different from the skills required to passively hedge currency exposure or actively manage equities and other assets.

FX trading strategies such as carry, trend and value can be modelled and have been turned into indices, even referred to as exotic betas, but no one trading style has consistently been successful in currency markets. Simple indices, which may work for short periods of time or in back testing, do not represent skill, alpha.



Source: Hathersage Capital

Separate Risk from Return

Currency risk is much better understood than currency return, although they are two sides of the same coin. FX exposure is easy to decompose and is an important risk to understand and measure. Currency management, predominately risk reduction, grew from the desire to mitigate volatility from FX moves in international portfolios. Traditional “overlay,” the passive management of neutralising currency exposures through hedging or offsetting positions, is well understood, mechanical as opposed to skill based and today outsourced for only a few basis points, much cheaper than only a few years ago.

Naturally just as FX can bring unwanted volatility and losses, it can also bring profits, but the point is it can be identified, measured, neutralised and managed. Hedging 100% of currency exposure completely eliminates FX volatility and decreases portfolio risk exposure.

Risk, like cash, is a scarce resource and through portable alpha strategies is most efficiently and effectively allocated. An international portfolio's total risk budget is substantially increased by eliminating all FX risk or hedging 100% of exposure. Leaving currency exposure un-hedged or partially hedged (a more expensive proposition which is by nature constrained, managed to a benchmark and more difficult to measure) does not make sense in the discipline of implementing portable alpha. Just because currency exposure can be actively managed without changing the underlying international asset exposures, does not mean this is optimal.

The essence of portable alpha is to separate risks, remove constraints and understand sources of return, not mixing objectives or managing to benchmarks.

FOREIGN EXCHANGE

UNWINDING OF THE YEN CARRY TRADE

“Japan had been growing for five years, yet its currency was at 18-year lows in real terms.”

Your opinion on: The Impact of additional rate hikes by the Japanese Government

Japanese officials have been put under pressure by the international community since Japan has been the main source of liquidity for global financial markets. These manoeuvres have, thus far, not yielded significant concessions from Japanese officials as Japan's economy still shows signs of relatively benign growth. So aggressive interest rate hikes are not needed. However, I do expect small and gradual interest rate increases to bring Japanese interest rates in line with the global tightening schedule. Clearly, Japanese officials are walking a tight rope between hiking rates, helping balance global imbalances and steering Japanese economic policy outlook, which has improved but is far from overheating.

Currencies are a “square game” ... how much longer can the Japanese Yen (JPY) carry trade exist?

The fundamentals of the carry trade are to borrow in a low yielding currency and to lend in a higher yielding currency. I don't expect Japanese interest rates to be raised by 150-200 basis points any time soon. If we believe the low interest rate environment in Japan will persist, then, the merits of investing in a “commodity cycle” and in high yielding currencies could, likewise stay intact. However with Japanese rates on the way up, albeit gradually, the yield advantage is getting narrower but will not disappear. It is not just the JPY which is used in this game, but the JPY is by far the largest carry currency.

Professionals have been shorting the Taiwanese Dollar (TWD) as a proxy against high yielding Asian Currencies. In the case of Central European (CE-4) currencies - the market has been borrowing in the Czech Koruna (CZK) and investing in the Hungarian Forint (HUF), Polish Zloty (PLN) etc. And then there is still the Swiss Franc (CHF) which offers comparatively lower interest rates against investing in the Brazilian Real (BRL) or in the Turkish New Lira (TRY).

What according to you are the reasons for an unwinding of the carry trade? Is it retail Japanese selling their currency or investors unwinding the carry trade? Or a combination of both?

We have not seen a mass exodus from Japanese retail accounts yet. Ripple effects from the ongoing unwinding of fixed income collateralised obligations and sub-prime loans are underway and will take time to be completed.

How should one invest in currencies to exploit this facet and optimise currency returns?

High yielding currencies like the Australian and New Zealand Dollar (AUD) and (NZD), emerging market currencies like the BRL, TRY etc. are all part of an on-going

diversification trade. With portfolio investment theories being more widely embraced, diversification trends into currency as asset class, as well as some carry trades with-in, will not disappear.

We may have times of re-adjustment and liquidity withdrawals, but the investment theme is expected to stay for the foreseeable future; barring a massive liquidity implosion, which would see global yields spiking considerably higher, and a global equity market meltdown.

Do you expect a persistence of volatility in Asian currencies, other specific currency pairs/crosses?

Implied volatilities in the case of Asian currencies have been artificially depressed in pursuit of higher returns, with option seller using any spike higher, than in the past. We have seen a small adjustment in implied volatility to higher, more normal levels, and we expect this to continue going forward.

Drawing on your extensive foreign exchange (FX) experience, have there been comparable currency analogies in the past?

Stretching back two decades... carry trades have always been a strategy currency hedge funds pursued. However, they were never as popular then, as they are now. When FX-volatility started its decline around three years ago (reaching historical lows this year) - carry trade emerged as one of the most rewarding strategies. The other performing style within FX proved to be the short selling of options. In contrast, during previous market crisis such as LTCM or in the case of the emerging markets - it was more a case of “flight to quality” - with save heaven currencies such as the CHF or the USD benefiting.

Your views on currency cycles and where we are presently... and your near term outlook on investing in currencies.

We are in a period of re-adjustment, where risk will be re-allocated to safer investment strategies. The quest for higher returns, by the swelling-in-number-participants, is what has driven markets. We have experienced a steady decline of volatility in all the major currency pairs over the last two years. This cycle is close to its end. I expect to see sharper moves and pronounced trends overall. This is what will eventually force central banks, to intervene yet again, in the open market. The market often underestimates the magnitude and duration of a trend in the currency world.

Of course, it is difficult to assume what would trigger such a move... but from my perspective and based upon the price action and charts observed, I believe we are pretty close to breaking out of the relatively tight ranges in which FX markets have been trading. Also, it is about time the real fundamentals (beyond interest rate differentials) be considered when it comes to determining the fair value of exchange rates.



Martin Wiedmann

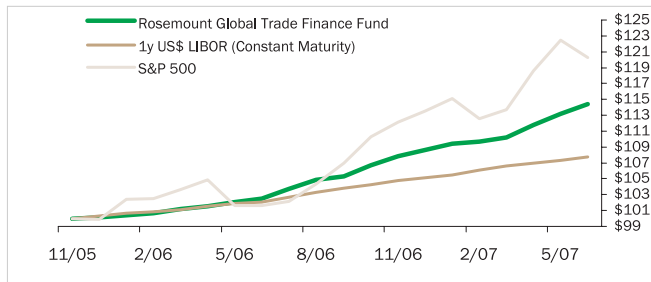
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TRADE FINANCE



Fund's cumulative returns

Source: Rosemount Capital Management, LLC

ROSEMOUNT GLOBAL TRADE FINANCE FUND

Focus: Trade finance - deals originated in the more developed, stable emerging global economies with the portfolios current accent being Eastern Europe and Latin America

- Originate and participate in medium term, trade finance debt obligations issued by companies, financial institutions and sovereign entities
- Identify, structure and syndicate trade finance assets that can be purchased at terms that undervalue them

Strengths: • Team's collective experience and expertise in trade related financing, structuring and syndication
Origination focus and their size keep them nimble

Weaknesses: • Better suited to those with a medium term investment outlook
It has been hedged - as strategy shows sensitivity in a rising interest rate environment

Opportunities: • source of uncorrelated returns
Participate in the opportunities emerging from flourishing global trade

Threats: • Regulation, commercial banks looking to re-trace their turf, competitive terms offered by other players operating in the field

Risk Management

Low Low / Moderate Moderate Moderate to High High

- Main risk at fund level: credit risk
- Macro risk: (valuation of the country risk used to determine countries in which they operate - perform analysis of macro economic factors, political stability approve limits for each country they deal with)
- Due diligence skills: (review obligors historical and financial results, business cycle, evaluate the quality of the management, verify firm reputation and management in the market place)
- Default risk:

- Fraud risk:
- Liquidity: (verify market liquidity for the transactions – final maturities of less than 5 years – limit of avg life in portfolio is set at or less than 24months)
- Leverage: avg. 1.5: (max.2:1)
- Valuation skills: (pre-requisite for structuring)
- Originating skills: (network of contacts, agents)
- Interest rate risk; hedged (loans are Indexed to Libor)
- Typically: transactions are not pre-payable, or with penalty
- Key person risk:

Performance Parameters

Low Low / Moderate Moderate Moderate to High High

- No. of positions in the portfolio: 20 positions.
- Diversification:
 - Geographic: currently skewed - E.Europe and Lat Am focus (Brazil: 51%), expansion plans underway
 - By industry: bias: finance (45%)
- Interest rate sensitivity: aggressive, rapid tightening could challenge fund's performance in the short term

Outlook

- Barriers to entry: experience and expertise, network, syndicating skills
- Threat of competition: many active players, differentiate themselves based on their understanding of market liquidity and distribution
- Scope for trade finance funds: upside potential
- Scope for a fund like Rosemount: upside potential
- Fund's ability to deliver targeted returns over:
 - The next 1 year: realistic
 - The next 3-5 years : high
- Fund tends to outperform when: syndication activity rises or the fund has profitable sales

Investment

- Current AuM: USD 34 mn
- Targeted AuM: USD 500 mn
- Target at: sophisticated investors
- Geographic restrictions: currently US; plan to offer an offshore fund in 2008
- Base currency USD
- Complexity for an investor: fairly simple
- Transparency provide: high
- Registered with: -

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