

Investment Analytics

G000
Strategic Volatility Strategy

Strategy Description

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Disclaimer

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Past performance is no guarantee of future results.

While every effort has been made to provide data from sources considered to be reliable, no guarantee of accuracy is given. Contents of the brochure are subject to change and periodic revisions without prior notice.

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Origins



“Using the power of computational econometrics to navigate financial markets.”

Program Objectives

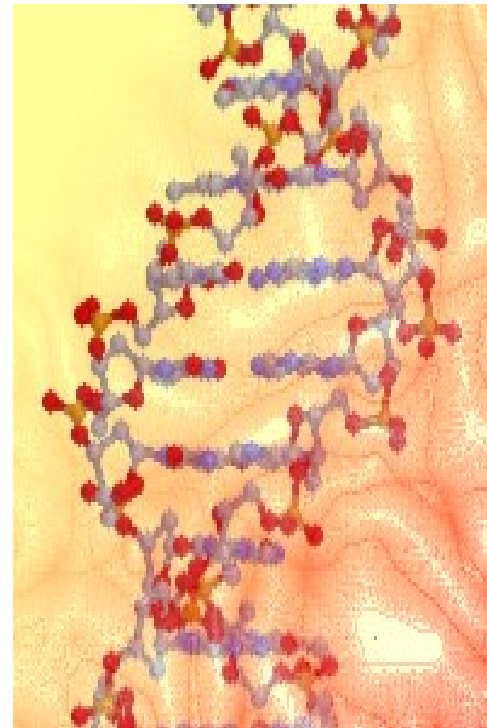
- Non-discretionary, systematic approach
 - Robust under varying market conditions
- Reliable, high-alpha, arbitrage strategies
 - Non-directional
 - Uncorrelated
- Risk controlled
- Scalability and capacity

Arbitrage Program Platform

- Econometric Models
- Data Management System
- Model Management System
- Portfolio Management System
- Trade Sheets
- Risk Management System

Investment Objectives

- Return
 - Annual Returns 10%-15%
 - Volatility 6% - 9%
 - Sharpe Ratio > 1.3
- Risk
 - Drawdown < 1 qtr. avg. return
 - Portfolio beta < +/- 0.1
 - Correlation with SP500 < +/-0.1
 - Correlation with VIXX < +/- 0.1

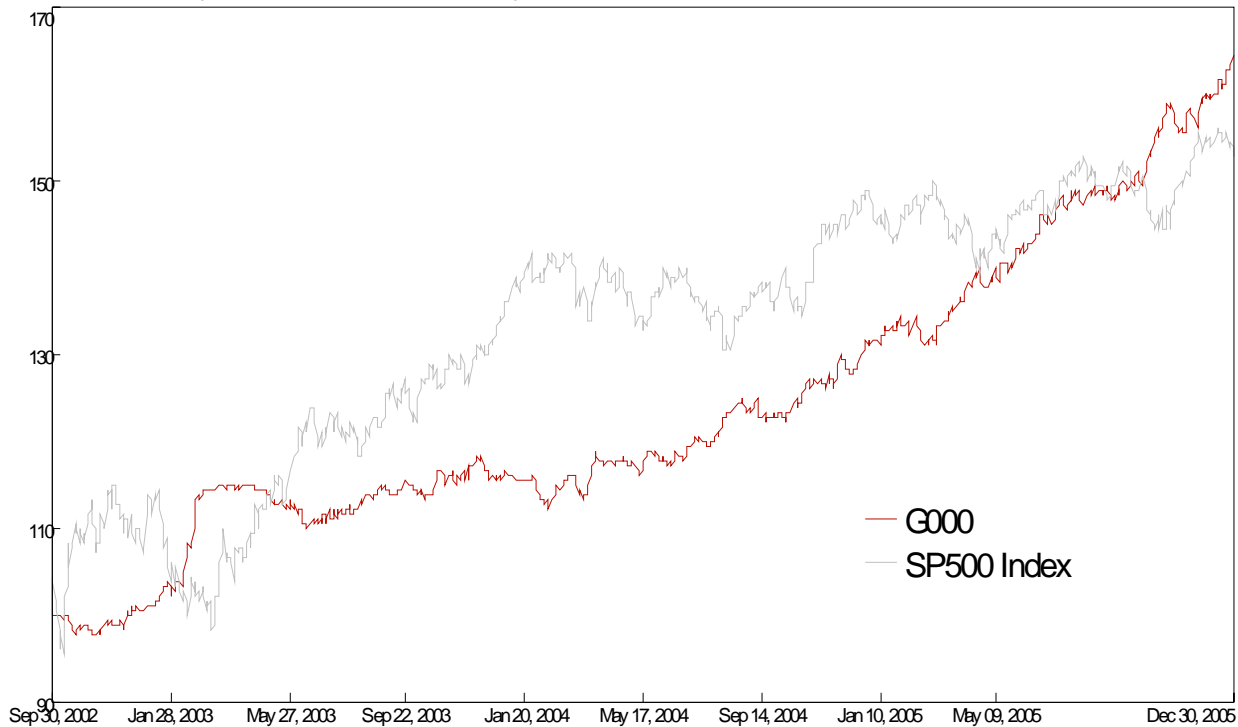


Historical Performance

Manager Performance

Single Computation

Tuesday, October 1, 2002 - Friday, December 30, 2005



Performance Summary

Oct 2002 – Dec 2005	SP500	G000
Compound Return	13.87%	16.38%
Downside Risk	9.56%	4.14%
Volatility	14.67%	6.93%
Beta		-0.02
Sharpe	0.87	2.24
Information Ratio		-0.74
Annualized Alpha		15.66%

- Returns net of all trading costs, management and performance fees

Monthly Returns

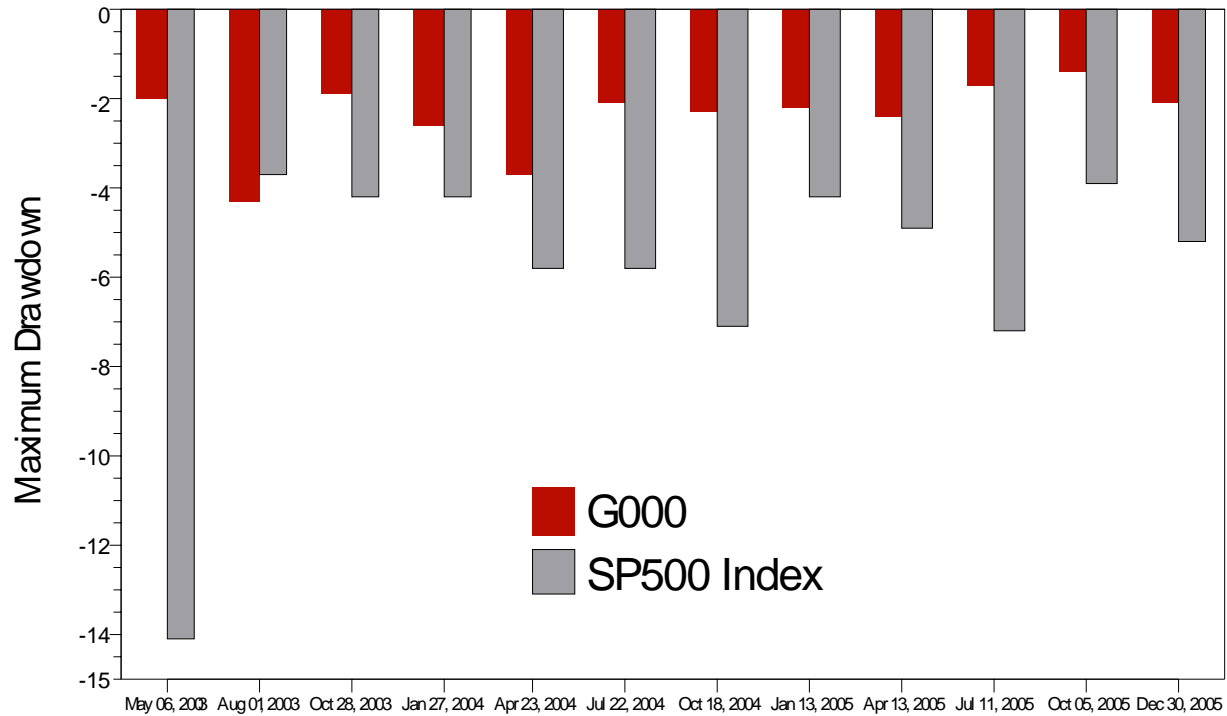
<u>2002</u>										<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>2002</u>
<u>Fund</u>										-1.14	-0.10	2.36	1.09
<u>Index</u>										8.64	5.71	-6.03	8.00
<u>2003</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>2003</u>
<u>Fund</u>	2.51	10.45	0.49	-0.71	-1.46	-0.62	0.34	2.18	-0.19	1.35	1.99	-1.83	14.88
<u>Index</u>	-2.74	-1.70	0.84	8.10	5.09	1.13	1.62	1.79	-1.19	5.50	0.71	5.08	26.38
<u>2004</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>2004</u>
<u>Fund</u>	-1.81	1.60	1.78	-0.38	0.89	0.68	1.16	2.11	0.00	2.51	2.84	1.39	13.45
<u>Index</u>	1.73	1.22	-1.64	-1.68	1.21	1.80	-3.43	0.23	0.94	1.40	3.86	3.25	8.99
<u>2005</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>2005</u>
<u>Fund</u>	1.51	-1.66	3.46	1.24	3.51	1.73	2.44	-0.47	1.35	5.49	0.90	3.06	24.82
<u>Index</u>	-2.53	1.89	-1.91	-2.01	3.00	-0.01	3.60	-1.12	0.69	-1.77	3.52	-0.10	3.00

Notes:

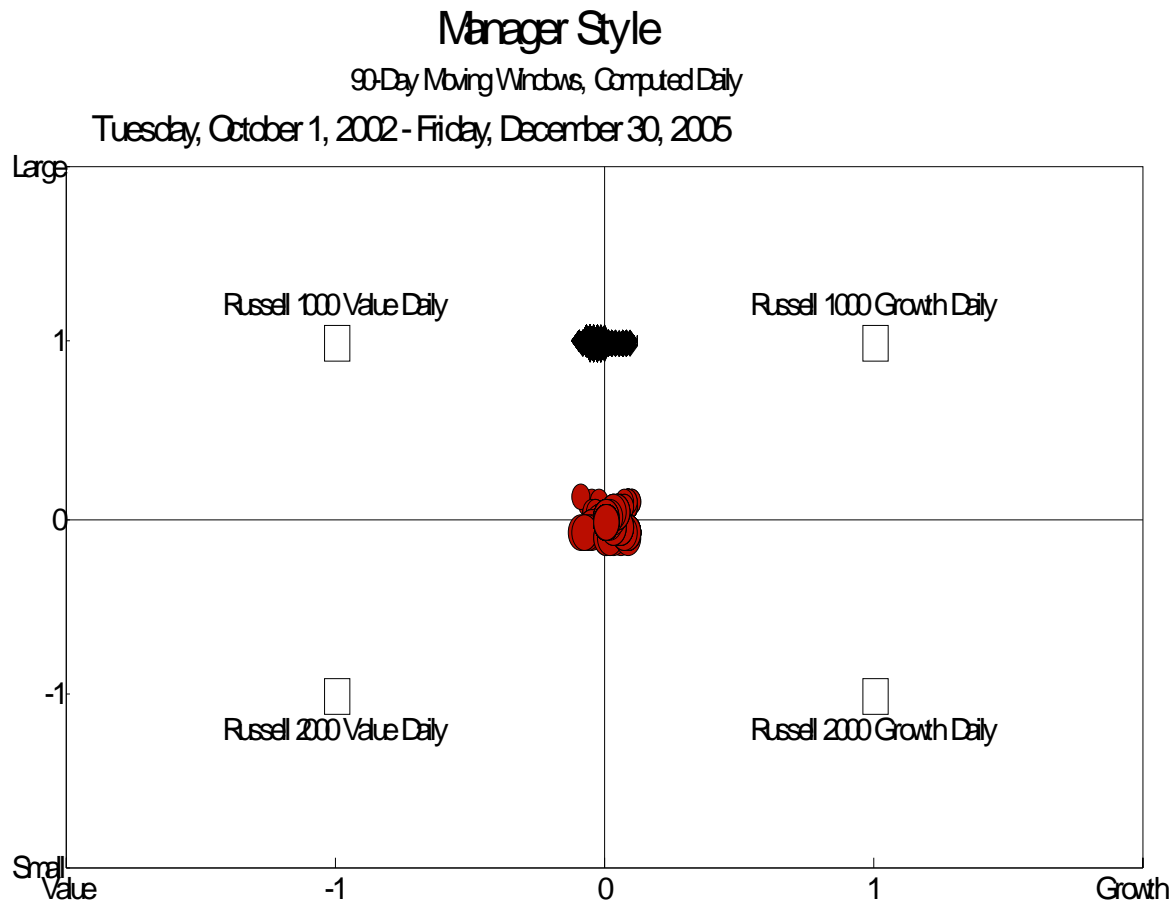
1. Live trading in the period Oct 2002 – July 2004
2. Returns are net of trading costs and management fees.

Drawdown

Manager vs Benchmark: Maximum Drawdown
90-Day Moving Windows, Computed Daily



Style Analysis



Experience



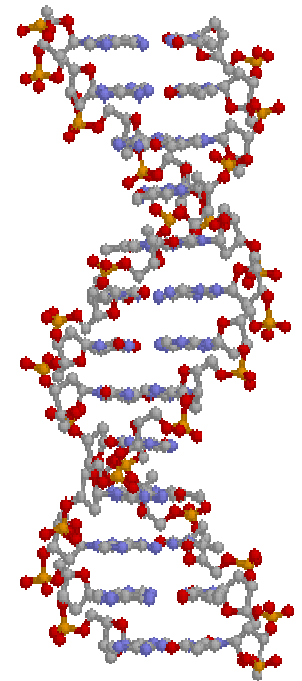
- Jonathan Kinlay, PhD
 - CEO of Proteom Capital Management Ltd.
 - Founder & GP of \$350M Caissa Capital fund
 - Managed \$50M hedge fund for 7 Years
 - Founder, Investment Analytics
 - PhD Graduate Economics
 - Adjunct Professor, New York University



- Chris Rosevear, PhD
 - PhD Graduate Economics
 - 15 years as financial analyst
 - AG Becker, NatWest, Citibank
 - Technical consultant, MCSE qualified

Investment Approach

- Investment Universe
 - 200 most liquid S&P 500 index members
 - Around 400-600 long/short stock & option positions
 - Option spreads 40-50 days out
- Portfolio Construction
 - Econometric forecasting models
 - Long/Short volatility portfolios
- Risk Management
 - Intraday Value-at-Risk monitoring
 - Risk management technique for extreme moves



Advantages

- Superior Performance
 - Annual alpha of 15.66%
 - Sharpe ratio 2.24
- Low Risk
 - Zero beta
 - Uncorrelated
 - Volatility
 - Downside risk



Advantages

- Unique Proprietary Technology
 - Sustainable competitive advantage
 - Consistent strategy alpha
- Capacity & Scalability
 - \$billions capacity in S&P500 universe
 - Non-discretionary trading and automated execution platform offer rapid scalability
- Experienced team
 - 20 years money management experience
 - Profitable track record quantitative strategies

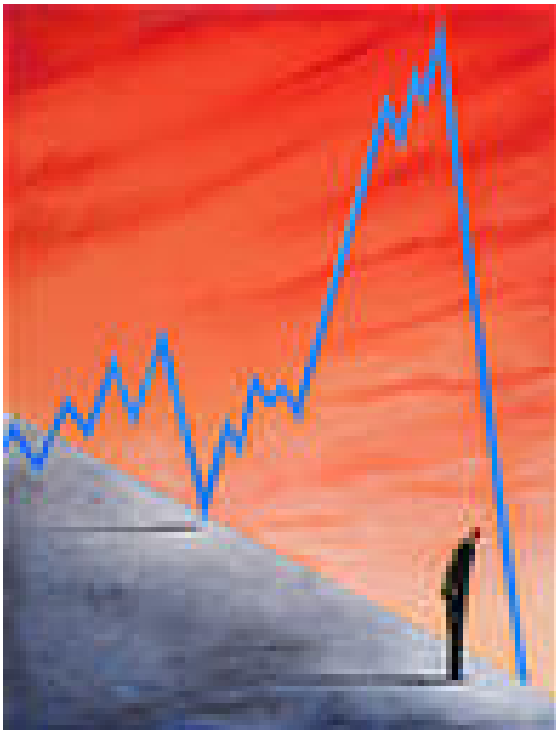


Portfolio Construction

- Proprietary volatility forecasting models
 - Six different model types per stock
 - Adaptable to current market conditions
 - Regime shift detection models
- Model Management System
 - Updates models daily
 - Produces volatility forecasts
 - Identifies mispriced options
 - Constructs portfolio
 - Creates trading sheet

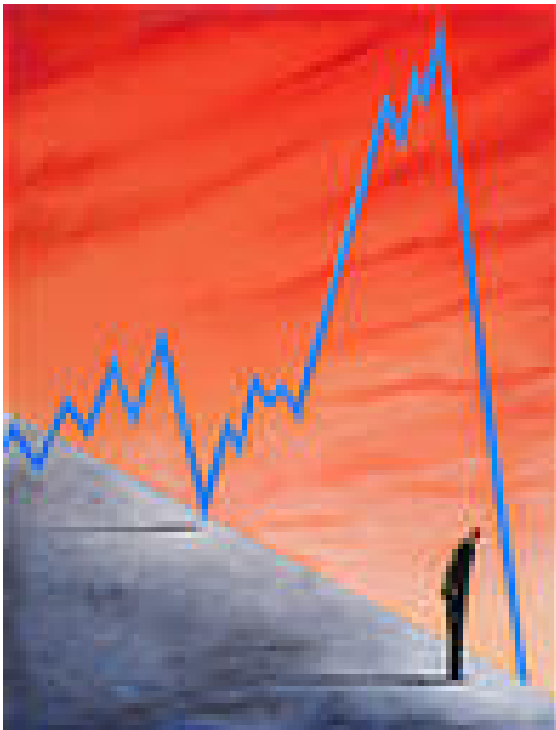


Risk Management



- Extreme Markets / Event Risk
 - Operate portfolio within Value-at-Risk limit
 - Stress test for 20% down move
 - CrashMetrics methodology to hedge tail risk
 - Diversification (across stocks, option maturities, multiple entry points)
- Volatility Risk
 - Stress test for 50% increase in volatility
 - Attempt to remain Gamma positive or limit negative Gamma
 - Buy cheap wing protection

Risk Management



- Liquidity Risk
 - Screen stocks for liquidity
 - Invest in only most highly liquid SP500 names (plus SPX and QQQ)
 - Maximum allocation to any single stock is 4% of capital
- Execution Risk
 - Monitor earnings
 - Screen trades in stocks with M&A activity, FDA approvals, etc

Execution

REDIPlus[®] Electronic Trade Platform



	+2.688
0	+5.000
1	+1.500
0	+1.125
0	+1.062

- Across all major exchanges
- Minimize visibility of execution
- Fast & efficient
- Low cost (no brokerage fees)
- Trade inside bid-offer spread
- Minimal market impact

Summary

- Unique quantitative approach
 - Advanced proprietary econometric models
 - Sophisticated model management
 - Portfolio constructed using latest econometric theory
 - Built-in crash protection
- Proven track record
- Experienced, capable team

Further Information

- Web Site: www.investment-analytics.com
- Go to the web site for:
 - Technical Presentation
 - Two Page Strategy Summaries
 - Zephyr Style Advisor Reports
 - Detailed Strategy Analysis
 - Due Diligence Information
 - Offering Documents

Contact

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Notes

1. Returns include the reinvestment of dividends, capital gains and other earnings.
2. Nothing herein should be construed as a solicitation of clients, or as an offer to sell or a solicitation of an offer to invest in any fund.
3. NO REPRESENTATION IS MADE THAT ANY INVESTOR WILL OR IS LIKELY TO ACHIEVE RESULTS COMPRABLE TO THOSE SHOWN OR WILL MAKE ANY PROFIT AT ALL OR WILL BE ABLE TO AVOID INCURING SUBSTANTIAL LOSSES.
4. While every effort has been made to provide data from sources considered to be reliable, no guarantee of accuracy is given.
5. The contents herein are subject to change without prior notice.
6. This brochure is typically updated as at the most recent calendar month end.
7. Historical data are presented for informational purposes only.
8. Except where stated, strategies do not attempt to track any index or benchmark.
9. Benchmark data are total returns for the indices for the periods shown and are for comparison purposes only.
10. Cumulative benchmark data and performance data are compounded monthly.
11. Volatility is measured by the annualized standard deviation of monthly returns.
12. Investment programs described herein contain significant risks.
13. This presentation is provided for information purposes only and is subject to, and qualified fully by the Licensing Agreement and related documents.

Past performance is not necessarily an indicator of future results.