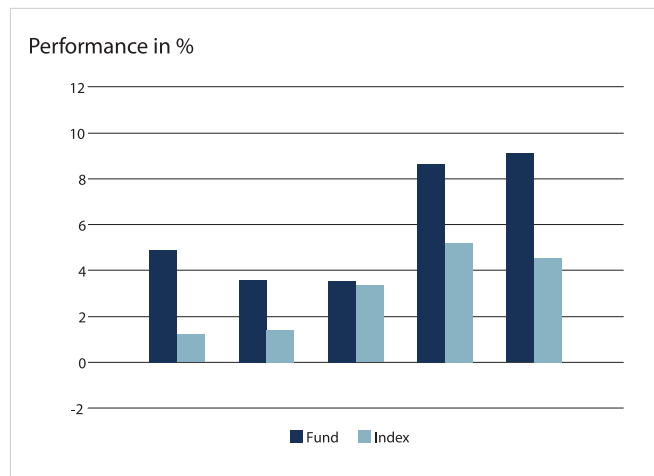




INSURANCE LINKED SECURITIES

Clariden Leu (CH) Cat Bond Fund USD Class



Monthly return distribution table (5, Feb. 1999 - 31, Oct. 2007)
 Index-Benchmark: Citigroup USD 3 months Eurodeposit
 Source: Clariden Leu

Focus: • Currently the fund invests in insurance linked securities in the form of bonds (Investing in notes and preferred shares, is also permissible).

Strengths: • Expertise, track record (since 1, May 2001)
 • Source of uncorrelated returns (independent of financial markets).
 • Strategic inclusion in a portfolio could lower its volatility, dampen risk profile.

Weaknesses: • Capacity constrained
 • Seasonality
 • Inherent model led risk

Opportunities: • Insurance capacity for peak perils such as US windstorm is limited
 • Growing market (further solvency changes anticipated)
 • Issuance of Cat bonds in the first half of 2007 exceeded the total issuance of 2006

Threats: • The simultaneous occurrence of several major natural catastrophes

Risk Management

Below Average
 Average
 Above Average
 Far Above Average

- Main risk at portfolio level: **The invested capital is fully exposed to catastrophe risk, hence "capital at risk" investing**
- Due diligence skills:
- Identifying bonds:
- Ability to secure capacity:
- Portfolio structuring:
 - Adjusted for seasonality
 - Portfolio is actively managed
- Portfolio management:

- Liquidity: **100% of portfolio that can be traded on the secondary market-OTC**
 - Time to unwind the portfolio under normal market conditions: **2 weeks**
- Counterparty risk (in the context of OTC contracts):
- Fund is valued by: **5 different market makers**
- Risk of each transaction: **Cat models used: AIR's "Catrader", and EQE's "Worldcat Enterprise"**
- Leverage at portfolio level: **None**
- Currency risk: **Hedged**
- Key man risk: **Insured**

Performance Parameters

- No. of positions (as on 31.10.07): **51**
- Diversification:
 - Geographic: **US bias - earthquakes, hurricanes; Japan - earthquakes, typhoons; Europe - windstorms, earthquakes, Australia - multi risk**
 - By issuer: **Broad based**
 - By credit rating/tranche exposure (as of 31.10.07): **BBB: 11.9%, BB: 76.3%, B: 11.8%**
 - By event: **Cyclones, Earthquakes, Typhoons, Windstorms**
 - By trigger: **4 main types: Parametric index: 45.9%, Industry loss: 27.3%, Indemnity: 12.6%, Modelled loss: 10.1%, Mixture: 4.0%**
 - Avg. duration of portfolio: **2.1 years**
- Efficiency achieved in allocating investor capital: **Maintain a cash buffer of 5% at all times**
- Ability to match liabilities with assets (monthly dealing): **Ability to exercise a redemption gate**
- Fund's total expense ratio (annual): **1.75%**
- Fund tends to outperform: **When no invested-in Cat bonds are triggered**

Outlook

- Barriers to entry: **High, know how and experience**
- Threat posed by competition: **Exists, but has no bearing on fund's ability to perform**
- Scope for Cat bond funds: **Upside**
- Scope for a fund such as Clariden Leu's: **Upside**
- Sustainable opportunity set: **Opportunistic**
- Strategy scalability: **Opportunistic**
- Ability to deliver targeted returns over:
 - Next 3 years: **Sustainable**

Investment

- Current AuM (31.10.07) **across all classes - USD324.2mn (Cat Bond 1) +USD191mn (Cat Bond 2)**
- Targeted AuM: **USD 1bn (Cat Bond 1+2)**
- Target audience: **Sophisticated**
- Base currency: **USD, other currencies fund is available in: CHF, EUR**
- Geographic constraints: **Might apply**
- Conceptually: **Simple; Strategy execution level: complex**
- To optimise returns recommended holding period: **min. 25 months**
- Transparency provided: **very high**
- Fund is registered in Switzerland & is regulated by: **the EBK (Swiss Banking Commission)**
- Rated: Morningstar: **5 stars**

Contact Information:

Clariden Leu Cat Bond Fund
 Head Insurance-Linked Investments, Michael Stahel

Telephone : **+41 58 205 6455**
 Email : **michael.stahel@claridenleu.com**
 Website : **http://www.claridenleu.com**