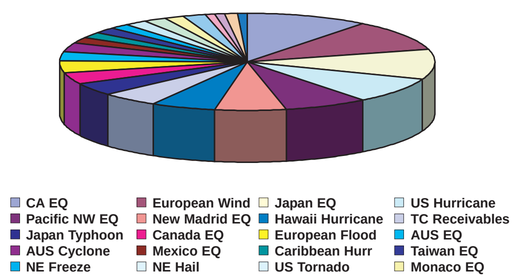
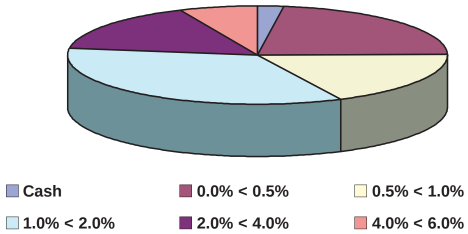
INSURANCE EVENT LINKED SECURITIES

Soildum Event Linked Securities Fund, SAC Fund 2

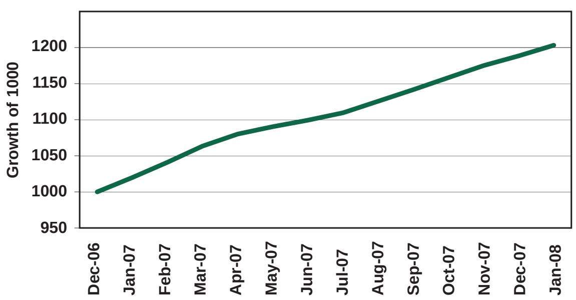
First Event Portfolio Exposure Contribution



Security Risk Classification, individual securities classification based on annualised expected loss



Historial Return Analysis



Focus: • invests in all types of insurance event linked securities (cat bonds, industry loss warranties, catastrophe index derivatives, side cars and other instruments transferring insurance event risk or genuine insurance underwriting risk) for which the return of notional value and/or payment of compensation for assuming the risk is contingent upon the non-occurrence of a specific event

Strengths:
- Hands-on (re)-insurance experience
- Being small enables them to „choose" risks
- Expansion from cat bonds only, to include other instruments allows for better diversification
- Structural independence to equity, bond and non-traditional markets

Weaknesses:
- Seasonality - underlying risk; return distribution; issuance
- Illiquid market (most investments "hold-to-maturity")
- Model inherent risk

Opportunities & Threats:

• No contagion effect - as only physical variables determine the activation of the insurance event triggers, there is no spill over effect. An earthquake can not trigger a derivative with hurricane or typhoon exposure. This true intra asset class diversification is a desirable side effect of the event linked security strategy

• Future growth in the asset class will be driven by:
  - Increased value concentration in natural hazard-exposed regions
  - high scrutiny of rating agencies
  - upcoming regulatory changes for insurers
  - a general shift in the business model of reinsurance companies from risk warehousing to risk transformation has lead to a high demand for reinsurance coverage in the market

• The simultaneous occurrence of super catastrophic events

Albeit a threat to the existing portfolio and current investors in the immediate short term - this would actually present an unusual opportunity for the asset class - as the (re-)insurance market would then be characterised by undercapitalisation. This in turn improves the performance prospects for the existing fund in the medium term.

Risk Management

Below Average | Average | Above Average | Far Above Average

Main risk at portfolio level: The simultaneous occurrence of several catastrophic events or a single super catastrophe of "real" significance (not media-blown-up) i.e. once-in-a-century magnitude

- Ability to identify mispriced ELS instruments:
  - distinguish between securing overpaid opportunities:
  - avoidance of underpriced risk:
- Ability to secure and invest in „chosen" capacity:
- Ability to structure a portfolio:
- Ability to manage portfolio.
- Valuations:
  - liquid and market traded positions: mark to bid-level market prices
  - non-traded and illiquid positions: reinsurance premia (which are normally received at inception of a contract) are held in reserve - their contribution to the fund's performance is synchronised to reflect the seasonality of the underlying risk
- Liquidity:

Governed by the prevailing market conditions: sometimes higher relative value can be found in liquid cat bonds, sometimes in illiquid ILWs or UNL (reinsurance contract derivatives)

  - Typically between 80% at the high end to 45% at the low end of invested assets can be traded on a secondary market

Time required to unwind the entire portfolio under „normal (insurance event) market" conditions:

  - Liquid part: within 2 weeks if urgent, within 6 weeks if value optimised
  - Illiquid part: 1-2 months if urgent, but natural run off (typically 6 to 8 months) is highly recommended to preserve value

- Leverage: Contrary to other asset classes, product and instrument inherent leverage can be used without relying on external debt financing.

  - Multi-peril investments allow bringing capital twice at risk, increasing earning potential (of course, as well increasing risk of default)
  - In negotiated fronting arrangements bonds with uncorrelated risk can to some extent, be pledged as security for reinsurance contracts written.

In addition to the above the fund currently has a credit line of 20% of NAV which allows quickly exploiting opportunities in the market.

- Counterparty risk: minimal - investment monies into cat bonds lie in a trust account and in addition are swapped by high-rated swap counterparties -
  - only risk premium element of interest payments of a bond (paid quarterly) could be at counterparty risk.
  - OTC contracts: like in all insurance arrangements the risk premium is normally paid upfront.
- Hedge:

only the extreme negative tail of the return distribution is highly inefficient and consequently avoided

- Key man risk:
- Key investor risk:

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Performance

- No. of positions: currently 29 (typically between 25 and 40)
- Diversification:
  - Emphasis within the portfolio lies on property catastrophe risk:

currently 70%; aviation 0% (pricing levels currently inadequate), liability risk 12%, energy risk 5%, extreme mortality 0% (current risk understanding of the market not in line with some risk models, we strongly believe the risk to be underestimated), trade receivables 11%

- Geographic: (current)
  - Main: approx. 24% CA EQ , 20% US Hurr, 23% Europe wind, 20% Jp EQ, 17% Pacific North-West EQ, 14% New Madrid EQ, 9% Other
  - Exact figures change with market conditions and when those specific risks are "in season"
  - Maximum exposure per risk/geography is limited by fund regulations
- Event risk: super cat: moderate severity: low severity:
  Per risk category/geography stacked from moderate severity to super cat
- Seasonality: Important return contributions come from quake (non-seasonal), US Hurricane (June to November), Japan Typhoon (May to December) EU windstorm (October to March), lesser seasonal contribution from Australian Cyclone. Seasonality is hence somewhat smeared, but with highest return potential (and corresponding risk) from August to November.
- By trigger:
  - parametric index: 30%
  - industry loss: 30%
  - indemnity: 15%
  - modelled loss: 25%
- Efficiency achieved in allocating investor capital:
  Currently - able to maintain cash quota below 5%, credit line from financial leverage provider helps
- Ability to match liabilities with assets:
  Ability to manage redemptions via liquid elements of portfolio
  Limited amount of leverage for redemptions allowed
- Fund tends to outperform in the absence of:
  Any truly catastrophic insurance events occurring
- Fund's performance can be challenged:

In the short term, if exposed to the simultaneous occurrence of super catastrophic events

Outlook

- Barriers to entry: new entry is possible - but creating relative value is contingent upon the experience and skills of the portfolio managers
- Threat posed by competition: If the asset class becomes "too hip" (and in the absence of "medium sized" insurance events, which would not hit the fund but would stabilise (re-)insurance pricing),

too many inflows into the asset class could bring spreads under pressure.

- Scope for an IELS fund: upside potential
- Scope for the Solidium ELS Fund: upside potential
- Strategic scalability: opportunistic
- Ability to deliver annualised net targeted returns:

target range is Libor + 6% to 9%

Investment

- Current AuM: undisclosed
- Targeted AuM: based on current market size: USD500 mn
- Currency: USD; (CHF and EUR class will be issued by the end of Q1 2008)
- Transparency provided: high
- To optimise returns recommended time frame: min.24 months
- Targeted at: accredited investors
- Geographic specific related restrictions: may apply

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