

A presentation to:

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HEDGE FUND INVESTING IN VOLATILE MARKETS

Presented by

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HEDGE FUNDS IMPROVE OVERALL DIVERSIFICATION AND REDUCE PORTFOLIO RISK

- Equities = big gains, big losses
- Market timing
- Hedge funds = steadier returns
- Low correlation to equities

HEDGE FUND RETURNS HAVE A LOW CORRELATION TO EQUITIES

Cumulative Returns (USD)	Hedge Fund Index	Equity Index
Jan 95 – Feb 00	89.3%	116.7%
Mar 00 - Dec 02	1.2%	-40.9%
Jan 03 - Jun 07	52.7%	102.3%
Jul 07 – Aug 08	-4.3%	-16.1%

Source: Bloomberg

SHORTING

- Borrow Barclays shares from a stock lender at £3 per share
- Sell the shares in the market and receive £3 per share
- Assume share price falls by 50% in next month
- Buy back the shares in the market at £1.50 per share and return to stock lender
- Gain = Cash of £3 from sale of share - £1.50 share buy back price = £1.50 per share

LEVERAGING

House cost £100,000

Case 1

Deposit £100,000 – zero leverage

Case 2

Deposit £50,000, Borrow from bank £50,000
2 x leveraged
Finance cost of 6% pa

House rises to £110,000 after 1 year

Case 1 gain is 10%

Case 2 gain is $20\% - 6\% = 14\%$

House falls to £90,000 after 1 year

Case 1 loss is 10%

Case 2 loss is $20\% + 6\% = 26\%$

MATURING INDUSTRY

- \$2.1 trillion invested in hedge funds globally
- Approx. 12,000 hedge funds globally
- Hedge fund is a general term covering many different strategies and levels of risk
- Increasing regulation and transparency
- Industry supported by reputable 3rd party service providers

UNIQUE CHARACTERISTICS OF HEDGE FUNDS

- Absolute return objective
- Wide investment universe
- Sophisticated investment techniques
 - Shorting
 - Leverage
 - Derivatives
- Alignment of interests
 - Own money invested
 - Fee structure includes performance fee

DIVERSE RANGE OF STRATEGIES

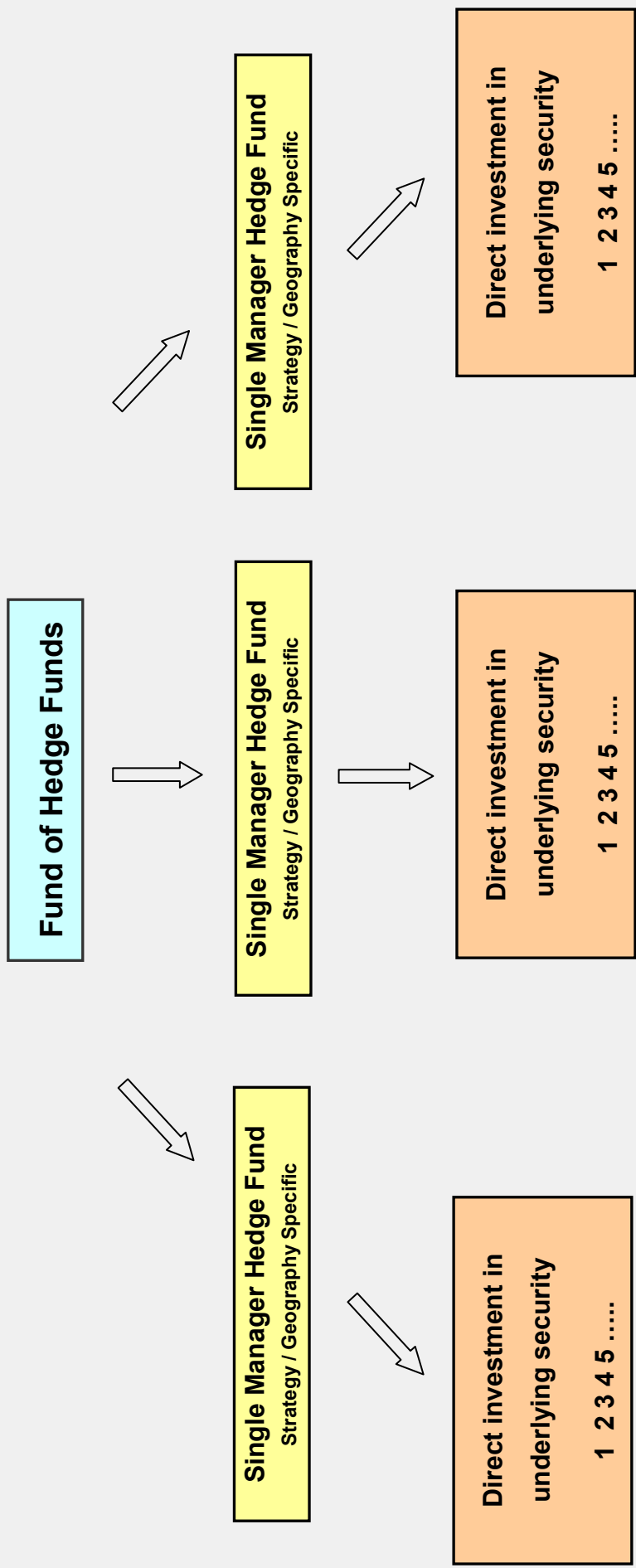
Each strategy varies significantly in terms of risk and returns

Relative Value	Event Driven	Equity Long/Short	Global Macro
Fixed Income Arbitrage	Merger Arbitrage	Net Long / Net Short	Systematic Trading
Convertible Arbitrage	Distressed Debt	Equity Market Neutral	Discretionary Trading
Multi - Strategy			

DIFFICULT TO INVEST IN HEDGE FUNDS DIRECTLY

- Resources and experience required to identify strategies and managers
- High minimum
- Limited liquidity
- Limited diversification
- Varying degrees of transparency and communication
- Time consuming and complex to monitor managers

FUND OF HEDGE FUNDS



BENEFITS OF FUNDS OF HEDGE FUNDS

- Expertise of fund of hedge funds manager in portfolio construction, manager selection and risk management
- Diversification across hedge fund strategies and manager styles
- Access to the high quality funds which are often closed
- Better liquidity
- Lower minimums
- However, investor subject to another layer of fees

DIVERSIFICATION IS FUNDAMENTAL

- High weighting to equities will not deliver on objective
- Diversification across all asset classes can improve return per unit of risk
- Hedge funds are an important tool to help improve this diversification
- Many hedge funds do have characteristics that are suitable for pension fund portfolios
- Protect the downside
- Benefits of compounding

MANAGING RISK IS AS IMPORTANT AS DELIVERING RETURNS

Stenham

- 20 year track record in managing diversified fund of hedge fund portfolios
- Conservative with a focus on low volatility and minimising downside risk
- Experienced and stable team - over 10 years at Stenham
- Robust institutional investment process - refined over 20 years
- Access to the highest quality and closed managers
- Interests aligned - management all co-invest

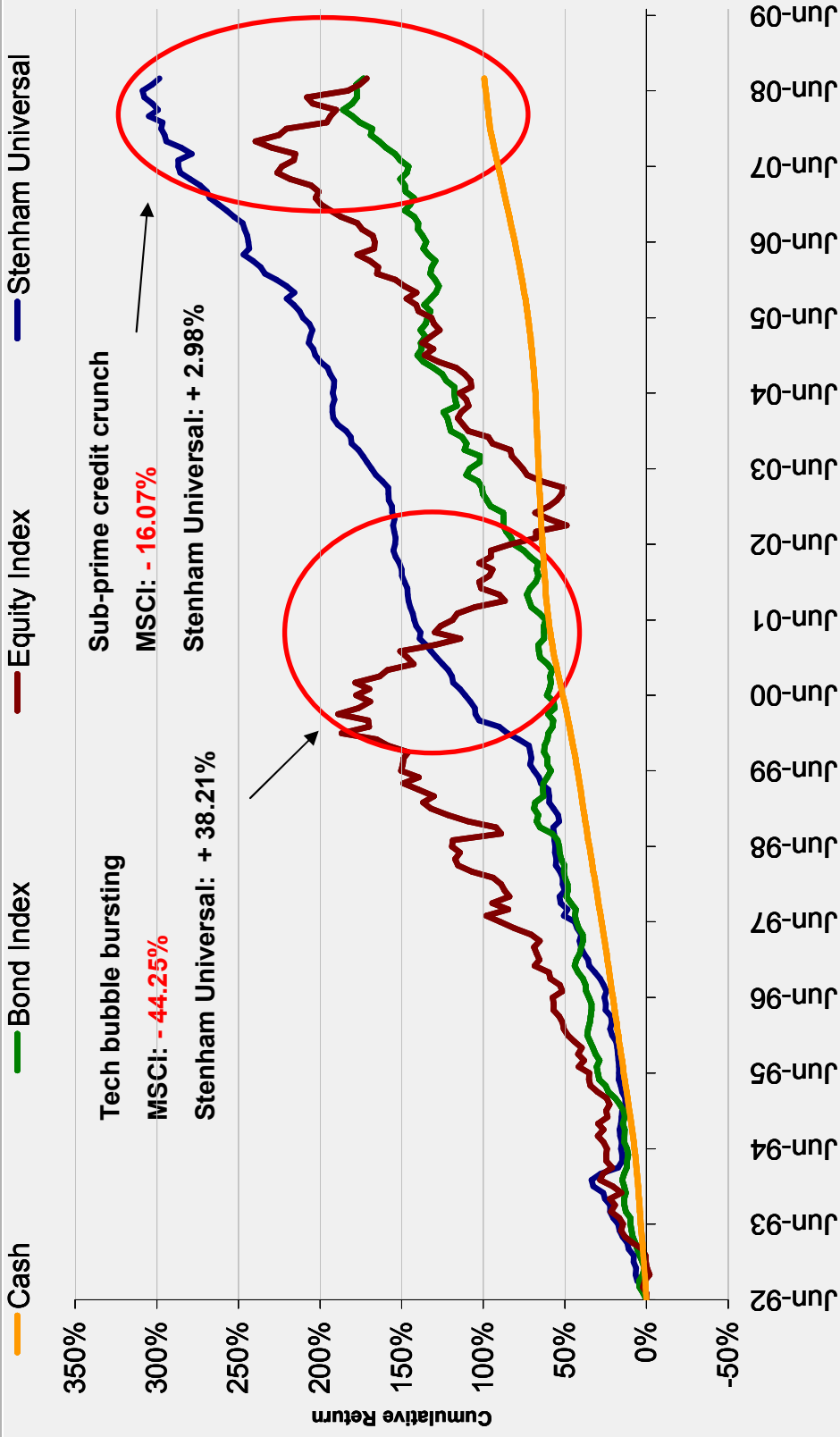
STENHAM UNIVERSAL (GBP)

10 years delivered – 10.97% with risk of 3.77%

- Multi-Strategy Fund of Hedge Funds, with no leverage
- Globally diversified across uncorrelated strategies and managers
- Outperform objective - Libor +4%, Volatility <4%
- 16 year track record, AUM \$553m (\$2.0 billion in strategy)
- 40 managers, max weighting 6%
- 50% of underlying managers closed, with whom we have capacity

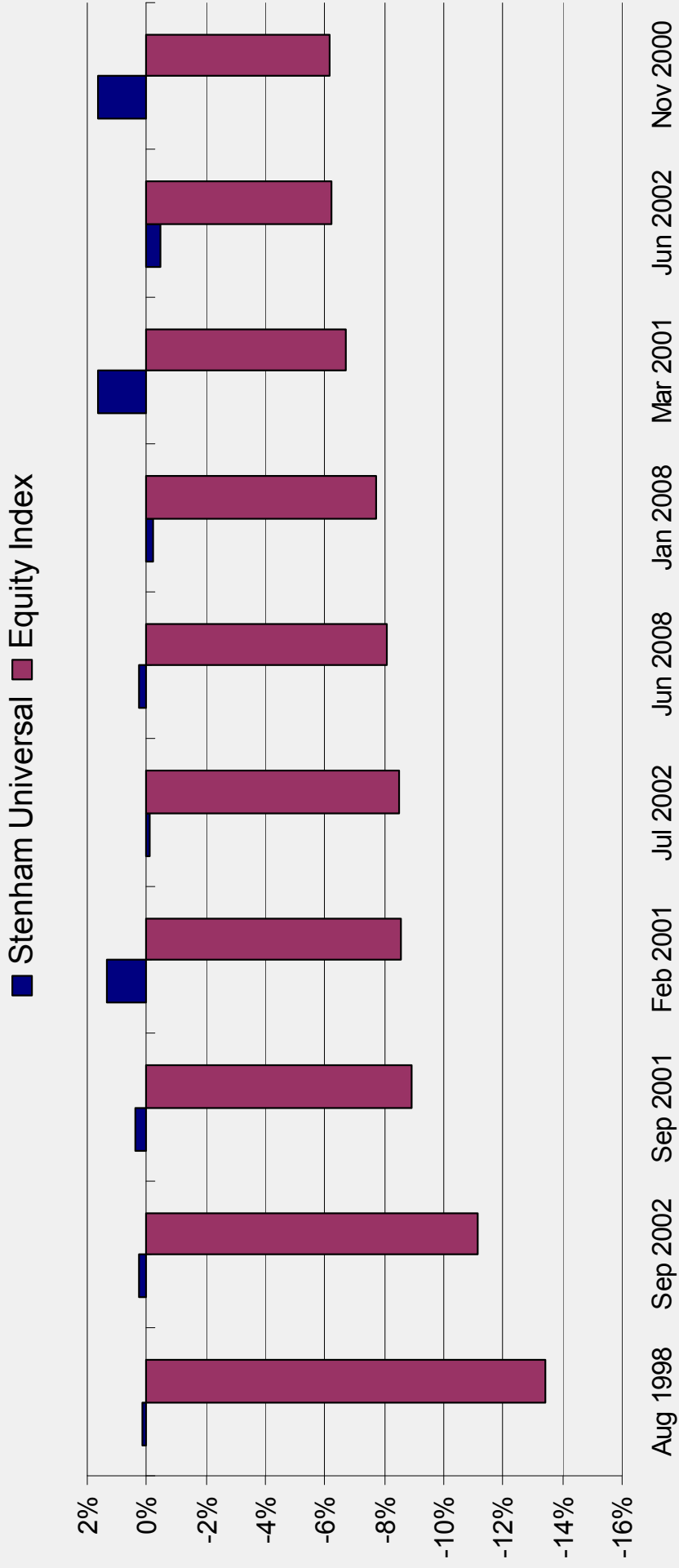
CAPITAL PRESERVATION IRRESPECTIVE OF MARKET VOLATILITY

Stenham Universal – Since Inception to August 2008



LOWER VOLATILITY THAN OUR PEERS

Ten worst months for Equity Index



88% PROFITABLE MONTHS

Stenham Universal - January 1998 to August 2008

	MSCI: -14.31% Universal: 4.00%		MSCI: -25.62% Universal: 2.63%		MSCI: -6.72% Universal: 4.50%						
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Jan	-0.65%	1.30%	1.97%	0.57%	2.03%	0.98%	0.79%	1.37%	2.76%	1.73%	0.16%
Feb	2.21%	0.45%	0.89%	1.34%	1.21%	0.27%	0.25%	1.36%	6.47%	0.11%	1.09%
Mar	-1.31%	1.10%	1.47%	-0.45%	0.48%	0.31%	0.78%	1.69%	1.09%	0.36%	1.94%
Apr	1.32%	1.56%	1.48%	-0.30%	0.22%	1.51%	1.04%	-0.17%	0.11%	2.90%	-0.18%
May	1.20%	1.54%	-1.05%	0.72%	-0.14%	1.74%	0.81%	1.20%	1.37%	0.80%	0.74%
Jun	0.53%	0.29%	0.24%	1.63%	0.65%	1.18%	-0.30%	0.58%	1.51%	1.75%	0.05%
Jul	-1.14%	0.05%	0.05%	1.01%	0.06%	1.31%	0.06%	0.52%	1.44%	1.51%	0.58%
Aug	-1.03%	-2.05%	0.28%	1.06%	0.26%	1.09%	0.55%	0.78%	1.89%	-0.52%	0.32%
Sep		1.72%	0.19%	1.58%	1.07%	1.27%	0.45%	0.49%	0.31%	0.42%	0.42%
Oct		2.20%	1.33%	-1.41%	0.77%	1.68%	-0.24%	0.44%	0.94%	0.55%	-2.20%
Nov		0.31%	1.27%	1.66%	1.68%	0.46%	0.81%	0.17%	1.60%	3.56%	0.65%
Dec		0.69%	1.34%	2.02%	1.32%	1.22%	0.28%	0.91%	1.53%	3.78%	1.97%
YEAR	1.07%	9.48%	9.84%	9.79%	10.02%	13.81%	5.40%	9.73%	23.00%	18.21%	5.62%
									MSCI: -6.96% Universal: 0.93%		MSCI: -11.82% Universal: 1.33%



STENHAM

ADVISORS PLC

OUTPERFORMED OBJECTIVE OF LIBOR +4%, RISK <4%

Stenham Universal - Ten Years to August 2008

GBP	Stenham Universal	Equity Index	Bond Index	Cash
Return	10.97%	4.99%	6.98%	5.22%
Risk	3.77%	13.79%	5.64%	N/A
Maximum Drawdown	-2.20%	-47.25%	-7.21%	N/A
Profitable Months	87.50%	57.50%	59.17%	N/A

HEDGE FUNDS IMPROVE OVERALL DIVERSIFICATION AND REDUCE PORTFOLIO RISK

10 Years to August 2008

GBP	60% Equity Index 40% Bond Index	48% Equity Index 32% Bond Index 20% Stenham Universal	30% Equity Index 20% Bond Index 50% Stenham Universal
Return	6.07%	7.09%	8.60%
Risk	8.59%	7.06%	5.04%
Maximum Drawdown	-25.86%	-17.14%	-5.51%
Profitable Months	62.50%	61.67%	66.67%

ALLOCATION TO FUND OF HEDGE FUNDS SET TO CONTINUE

- Hedge funds improve overall diversification and reduce portfolio risk
- Long term consistent returns better than equities with lower risk than bonds
- Low correlation with traditional asset classes
- Focus on fund of hedge funds with established track records and strong risk management

APPENDIX – STRATEGY DESCRIPTIONS

- **Relative Value** – benefit from mis-pricing of related assets and/or convergence between mis-pricing of 2 assets
 - Fixed income arbitrage** – pricing anomalies between fixed income securities
 - Convertible arbitrage** – long convertible security, short the stock
- **Event driven** – specific events such as bankruptcies, mergers or takeovers
 - Merger arbitrage** – price spread between current and takeover / merger price
 - Distressed debt** – firms in or near bankruptcy

APPENDIX – STRATEGY DESCRIPTIONS

- **Equity Long/Short** – long outperforming stocks short underperforming.
Net Long / Short – managers holding a net long or short position
Equity market neutral – based on fundamental and technical analysis - net zero correlation to market

- **Global Macro** – top down decisions on currencies commodities, equity or bond markets.
Systematic trading – computer generated models to identify trading opportunities
Discretionary trading – similar to above but fund manager makes final decision

PROFILES



Harry Wulfsohn, Director & Head of Institutional Business Development

11 years with Stenham, 9 years investment experience

Harry joined Stenham in 1997 initially to open an office in Johannesburg for the Group and then returned to London as COO of the Asset Management division. Harry is now Head of the Institutional Business Development division building a client base for Stenham in the UK, Europe, Middle East and Latin America working with Family Offices, Private Banks, Trust companies and select institutions. Prior to joining Stenham, Harry worked in the Corporate Financial Services division of Arthur Andersen, London, where he qualified as a Chartered Accountant. Harry holds the Investment Management Certificate and obtained his BSc. (Hons.) from the University of Manchester.

Javier Uribarren, Investment Director

9 years investment experience, 7 years with Stenham



Javier is responsible for all global macro and relative value strategies in addition to portfolio management responsibilities across a range of products. Javier sits on the Investment Advisory Committee and in 2006 launched the Stenham Global Macro Fund. Prior to joining Stenham, Javier worked as an Investment Analyst structuring guaranteed based investment products at AIG and as an Actuarial Analyst at Barclays and AMP. Javier has passed the 100 series at the Institute of Actuaries and obtained his BSc (Hons) in Actuarial Science and Statistics from City University, London.

John Long, Client Relationship Manager

7 years investment experience, 1 year with Stenham



John is responsible for developing the institutional market in the UK with particular focus on financial advisers, private wealth managers, investment consultants, charities and family offices. Prior to joining Stenham, John worked for Investec Asset Management where he developed their relationships with many life assurance companies, fund platforms, financial advisers and private wealth managers. More recently John was in charge of Investec's relationships with family offices and fund of hedge fund managers in the UK and Europe. John graduated with BSc (Hons) in Economics and Management from Royal Holloway, University of London.

COMPLIANCE

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