



"The Market can stay irrational longer than you can stay solvent"

- John Keynes

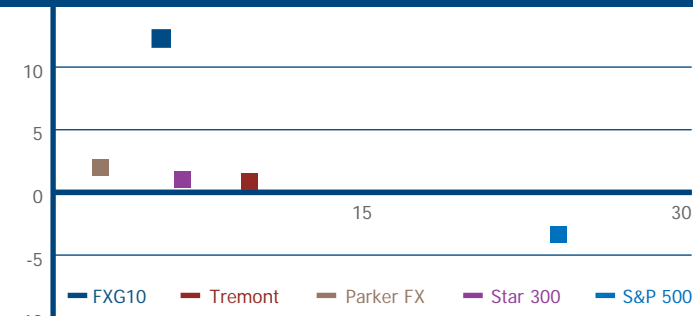




## OUR OBJECTIVES

- Produce 'Risk-adjusted' returns with a low correlation to other investment strategies
- To Achieve a Sharpe Ratio of above 1.50

### Risk / Reward vs. Indices



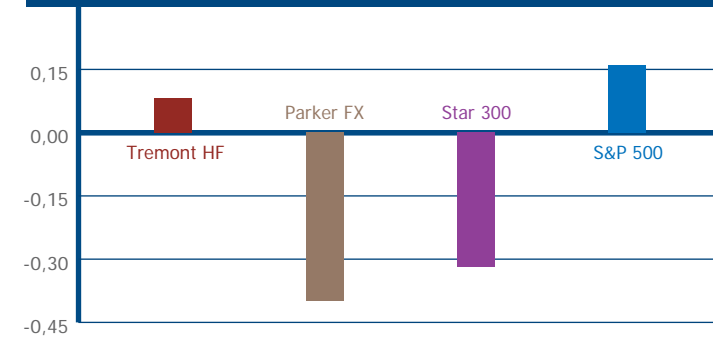
Data is compiled using results from APR 2008 to APR 2010.

### FXG10, SPC

Target Return: **18 - 25 %**  
 Target Volatility: **8 - 12 %**

Targets include manager fees. Results includes manager fees and interest.

### Correlation vs. Indices



Data is compiled using results from APR 2008 to APR 2010.



## OUR PHILOSOPHY

At Capricorn, we believe that risk-adjusted returns can be consistently achieved in today's currency market by having technical rules for trading, combined with a strong discipline. From our experience, we believe the currency market is a highly liquid, cost-efficient and well developed asset class that fluctuates due to a multiple of factors. We conclude that the volatility present in the currency market provides a great source for creating uncorrelated, risk-adjusted returns.

## BENEFITS IN TRADING CURRENCIES

- **Excellent source for seeking 'Portable Alpha'**  
An alternative to traditional portfolio management, where returns are derived through manager skill.
- **Highly liquid and cost-efficient market place**  
The biggest financial market with a large variety of participants, motivations and liquidity providers.
- **Low correlation to other asset classes**  
Empirical research concludes that including currency trading in a portfolio, improves risk-adjusted returns.



## OUR STRATEGY

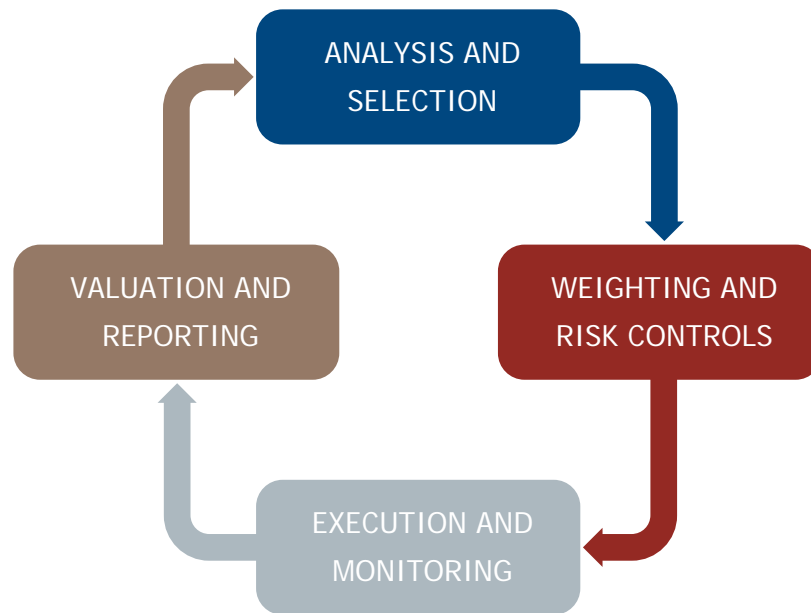
COMPONENTS:	Currency Majors (G10)
INSTRUMENTS:	Spot FX, Forwards & Options
CATEGORY:	Fundamental, Long Term
PROCESS:	Systematic
EXPOSURE:	24/6
HOURS:	European & US session
RISK CONTROL:	Dynamic Hedging strategy Defined "Event Risk"

## GENERATING RISK-ADJUSTED RETURNS

- **Directional Trades**  
Capture low volatility market moves, while neutral over FOMC, ECB, BOE, SNB news and NFP release.
- **Carry Trades**  
Capture gains from long term interest rate differentials, while hedging the currency exposure.
- **Arbitrage Trades**  
Triangular and Broker arbitrage opportunities are captured by trading rate differences.



## OUR PROCESS



### THE INVESTMENT PROCESS

- **Analysis and Selection of Portfolio**  
The currency universe is analysed by the 'Interest Rate' Model, against the portfolio's Volatility Index.
- **Portfolio Weighting and Risk Controls**  
The weighting of the currency pairs and their leverage is defined, with the Dynamic Hedging strategy.
- **Trade Execution and Portfolio Optimization**  
Positions are executed amongst a network of 8-10 brokers, with directional trades locking in profits.
- **Strategy Valuation and Client Reporting**  
Monthly NAVs are calculated by external controls providing the client documented valuations.



## RISK CONTROL

**STRATEGY:** Dynamic currency hedging

- Diversified strategy
- Defined "Event Risk"
- Low frequency trading

**EXECUTION:** Multiple liquidity providers  
24 hour monitoring

**OPERATIONAL:** Meet regulatory requirements

### THREE LEVELS OF RISK CONTROLS

- **Strategy Risk Controls**

A dynamic hedging strategy that is in effect at all times, covering a minimum of 80% of the portfolio.

- **Execution Risk Controls**

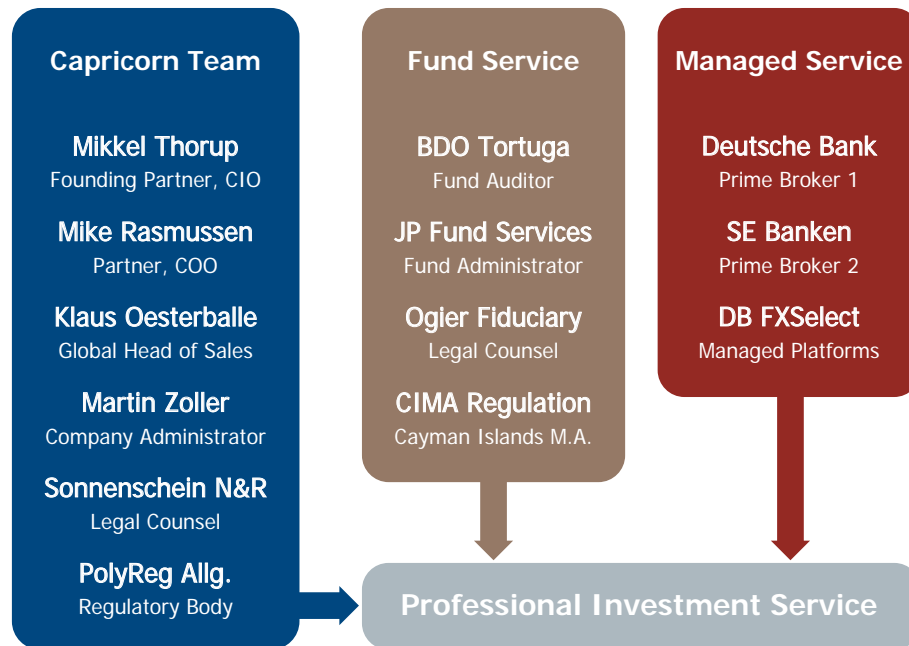
Positions are distributed, managed and actively monitored amongst several liquidity providers.

- **Operational Risk Controls**

The Capricorn team is established to meet regulatory and supervisory requirements at all times.



## INVESTMENT MANAGEMENT



### THREE LEVELS OF INVESTMENT MANAGEMENT

- **The Capricorn Team**  
A regulated entity with over 50 years of combined experience within banking and investment advisory.
- **Fund Services (External)**  
The Capricorn Funds are governed and administered by external controls for added client security.
- **Managed Services (External)**  
The Capricorn Managed Accounts are serviced by two prime brokers for increased transparency.



## OUR CONCLUSION

Capricorn's FXG10 strategy produces risk-adjusted returns with a low correlation to other asset classes.

The unique advantage of the strategy is in the methodology of using systematic trading rules with the investment strategy. Risk-adjusted returns are generated by maximizing the upside opportunities and dampening the downside through robust risk controls. With a trade execution network of 8-10 brokers and FCM's, the program is provided with the required "Best Pricing" and "Best Execution" strategy.

## THE UNIQUE SELLING POINTS

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- **Average Returns of over 12% annually**
- **Managed Risk below 3% since inception**
- **European Performance Award nominations**
- **Outperformed the Industry Benchmarks**
- **A disciplined Investment Process**
- **Low correlation to equity and bonds**