Fusion Hedge Overlay Program

FUSION ASSET MANAGEMENT

Background

Events of 2008 demonstrated the need for active risk management of funds' portfolios in addition to pure asset / fund allocations. Fusion Hedge Overlay Program offers clients without active trading capabilities an opportunity to enhance their risk management at low marginal cost and with high liquidity. This new service utilises Fusion's existing derivatives trading expertise and infrastructure effectively outsourcing clients' tactical portfolio hedging to an experienced asset manager with a proven track record in managing complex risks.

Rational

The Fusion Hedge Overlay Program gives a competitive advantage to the clients' portfolios through:

- ✓ ability to respond quickly to changing market conditions
- ✓ opportunity to isolate managers' skill from market beta and to create portable alpha
- ✓ allowing clients to adjust market exposure without redeeming from underlying managers so as to avoid damaging the relationship, or in circumstances where the investment is locked or gated
- ✓ implementing special purpose market transactions without identifying the end beneficiary

Prospective Clients

The service will benefit clients without existing trading desks and developed trading /settlement infrastructure. The situation is typical for clients with a low frequency of capital flows such as:

- ✓ Funds of Funds
- ✓ Private Equity Funds
- ✓ Insurance Companies
- ✓ Pension Funds
- ✓ Corporate clients with exposure to capital markets

Advantages

- ✓ outsourcing tactical hedging to a firm with full trading infrastructure while maintaining full control over existing exposure and investment
- ✓ experienced trading team with expertise in derivatives trading in FX, Fixed Income, Equities, Commodities and Credit
- ✓ systematic and robust quantitative risk management
- ✓ full transparency with daily positions and P&L report
- ✓ low cost flexible fee arrangement

Additional Services

Clients can also benefit from additional services provided in conjunction with the Fusion Hedge Overlay Program:

- ✓ quantitative analysis of the portfolio and optimized hedging strategy
- ✓ enhanced return on unutilised cash through daily sweeps to Fusion Cash Management Program targeting Libor +400 return with daily liquidity and low risk
- ✓ tax and legal structuring

Legal Structure

Fusion Hedge Overlay Program is implemented as a separate cell of Fusion Volatility Fund for each client, thereby to avoiding cross liabilities between different clients' exposures and to one and other and with respect to other strategies run by Fusion. Clients also benefit from services provided to the Fund by:

- ✓ Primer Broker (position keeper)
- ✓ Administrator (independent position valuation, control over cash transfers and shareholder services)
- ✓ Legal Advisor (documentation and tax structuring)
- ✓ Board of Directors (independent supervisory function)

Fund's Characteristics

Base Currency	USD, EUR, GBP, CHF
Subscription/Redemption	Weekly with daily notice
Fund jurisdiction	Cayman Islands
Prime Broker	UBS AG
Administrator	Citi Hedge Fund Services (Ireland), Limited
Legal Adviser	Dechert LLP / Walkers Group
Investment Manager	Fusion Asset Management LLP

The program can be arranged on case-by-case basis in onshore format.

Fusion Asset Management LLP

Fusion Asset Management specializes in portfolio management and advisory services to institutional and private investors globally.

The firm was established in 2004 as an independent investment manager regulated by FSA, with offices in London and Moscow. The firm has a proven track record in achieving positive return every year in managing credit derivatives portfolios (Fusion Credit Relative Value Fund), cross-asset volatility products (Fusion Volatility Fund) as well as running customised hedging portfolios for individual clients. The firm distinguishes itself by its disciplined approach to risk management and continuing investment research which proved crucial during recent market turmoil. The Fusion Volatility Fund returned 12.5% in 2008, being ranked within top 5% of Multi-strategy Funds globally in the crisis months of September and October 2008.

Expertise & Infrastructure

Substantial investment and resources have been dedicated to developing a state-of-the art trading and operations platform. The systems are designed to ensure a controlled and scaleable business. Real-time risk management and operations systems are supported by quantitative research and IT development teams.

Management Team

The investment team has over 30 years of trading and risk management experience. The team's complementary skill sets and experience are leveraged through the investment process.

Kirill Ilinski - Founder and Chief Investment Officer of Fusion. Prior to founding Fusion, Kirill was part of the Debt-Equity Relative Value Group at JP Morgan Chase in London. Kirill graduated from Leningrad University (1992) with a MSc in Physics and received a PhD in Mathematical Physics from the Mathematical Institute of Russian Academy of Sciences (1994).

Alexander Fonarkov - Portfolio Manager, responsible for trade execution. Alexander was formerly an Executive Director at JP Morgan Chase in London where he ran Russia & CEEMEA equity trading. Alexander graduated with a MSc Physics (1997) from the Moscow Institute for Physics and Technology.

Ksenia Bobkova - Chief Operating Officer overseeing business infrastructure, compliance and legal matters. Ksenia is a solicitor qualified in England and Wales and in New York. Prior to joining Fusion she worked in the Banking Group at Allen & Overy LLP in London. Ksenia graduated with LLB (Hons) from Edinburgh University (1998).

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