

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

- John Keynes





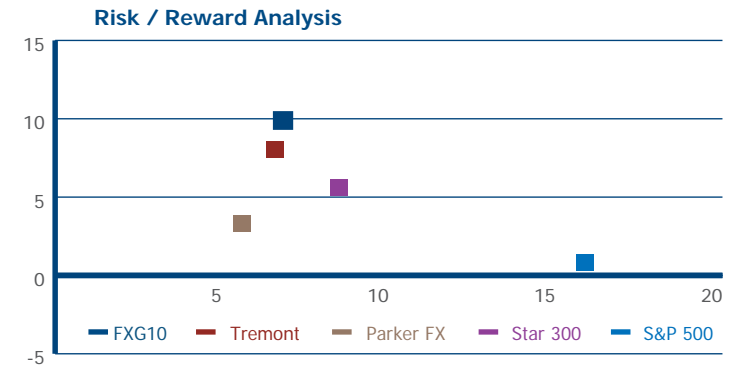
## OUR OBJECTIVES

The program seeks risk-adjusted returns, that is uncorrelated to other investment strategies by trading the most liquid assets available to investors, the currency majors. The strategy is categorised as being intraday, discretionary, however the expertise and success behind the program is defined by the high degree of discipline within the methodology. This is best shown in the low number of trades executed. Technical analysis is the only input for position taking decisions, whereas other indicators may be used to reduce overall risk.

### Capricorn fxST

Target Return:	9 - 12 %
Target Volatility:	6 - 8 %

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



Data is compiled using results from JAN 1999 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**

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- **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

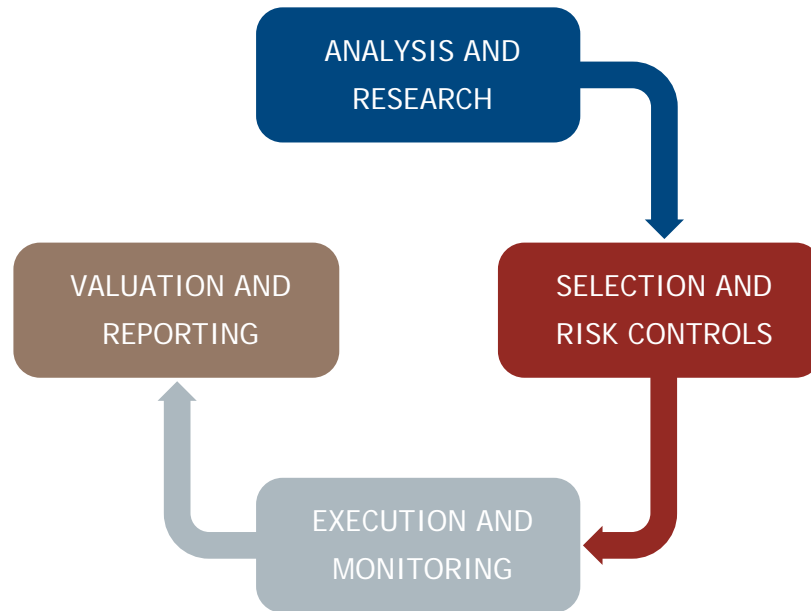
COMPONENTS:	Currency Majors (G3)
INSTRUMENTS:	Spot FX & Overnights
CATEGORY:	Discretionary, Short Term
PROCESS:	Discretionary, Technical
EXPOSURE:	75% Position Neutral
HOURS:	European & US session
RISK CONTROL:	Defined Stoplosses Defined 'Event Risk'

### GENERATING RISK-ADJUSTED RETURNS

- **Trend Trades**  
Trades are held up to 4 days using a wide stoploss, allowing 'High Event Risk' neutral positioning.
- **Range and Contrarian Trades**  
Trades are held 2 to 3 days using a medium stoploss, allowing 'Low Event Risk' neutral positioning.
- **Break-out Trades**  
Trades are held 1 to 2 days using a narrow stoploss, allowing 'Low Event Risk' neutral positioning.



## OUR PROCESS



### THE INVESTMENT PROCESS

- **Analysis of the Financial Markets**  
The currency majors and USD Index are technically analysed, while financial news is fully researched.
- **Trade Style Selection and Risk Controls**  
Market conditions determine the optimal Trade Style to be selected, with the pre-determined Risk Controls.
- **Trade Execution and Monitoring**  
Entry and exit levels, and market liquidity is evaluated before execution, while stoplosses are monitored.



## RISK CONTROL

**STRATEGY:** Pre-determined Stoplosses

Defined 'Event Risk'

Average leverage of 0.75

Low frequency trading

**EXECUTION:** Multiple liquidity providers

24 hour monitoring

**OPERATIONAL:** Meet regulatory requirements

2 active operational locations

### THREE LEVELS OF RISK CONTROLS

- **Strategy Risk Controls**

Pre-determined 'Stoplosses' and 'Event Risk' scenarios are actively monitored limiting potential losses.

- **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.



## RISK PARAMETERS

The methodology behind the Capricorn currency strategies, places equal importance on controlling risk as generating alpha. For this reason, all trades are executed with a stoploss that is placed on technical support or resistance levels. A stoploss can be trailed to reduce risk, or changed within the parameters of the trade type.

The maximum risk parameters per trade type are as follows; 1% (Trend), 0.6% (Range and Contrarian) and 0.4% (Break-out).

EVENT	HIGH RISK	LOW RISK
	Rate Decision Beige Book NFP Numbers	PPI Numbers CPI Numbers Retail Sales Data Employment Data
	Rate Decision	PPI Numbers CPI Numbers ZEW Survey
	Rate Decision	



# TRADE EXAMPLE

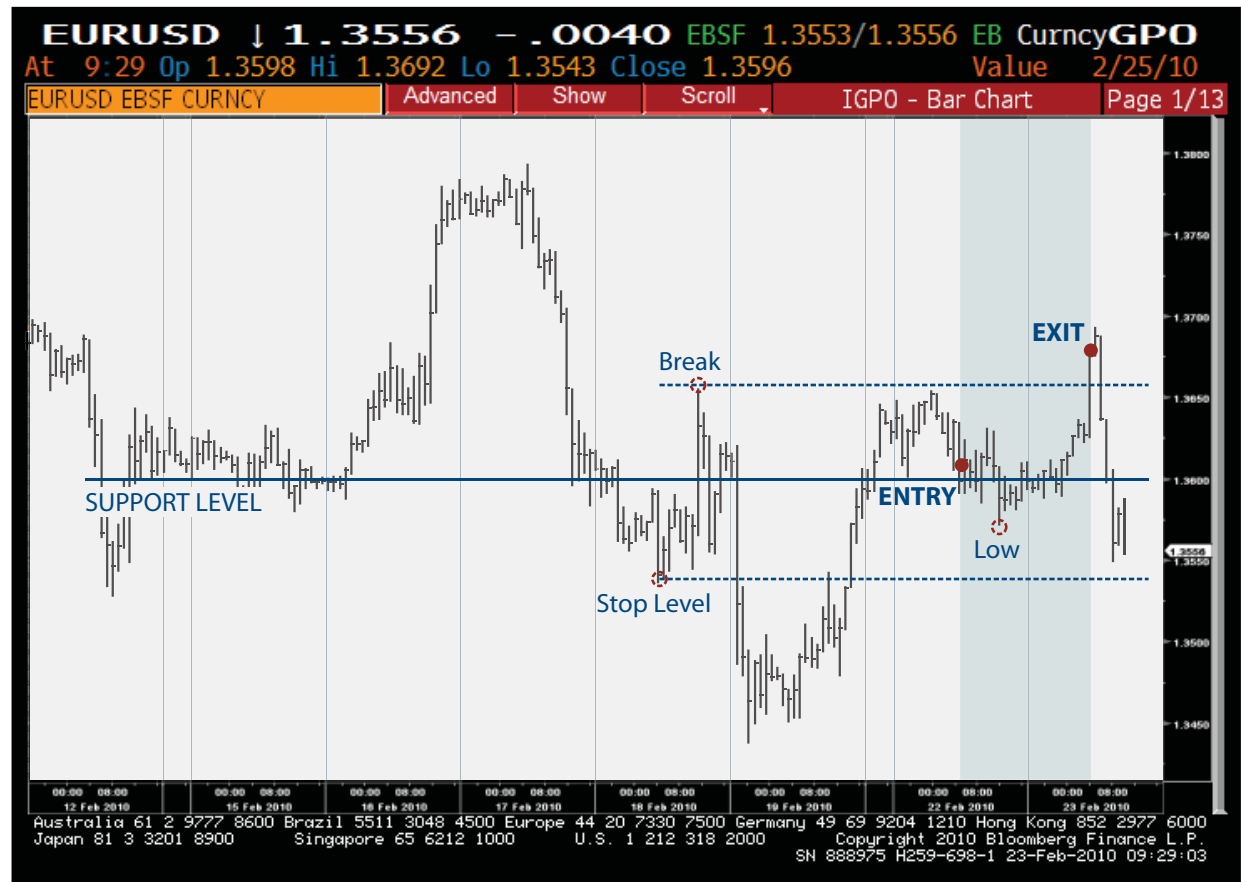
Trade opportunity identified, as strong support builds around 1.3600 for a Long EUR/USD bias. Limited 'Event Risk' to distort the technical picture.

- ENTRY: 1.3610 (22-FEB @ 14:15)
- EXIT: 1.3680 (23-FEB @ 09:50)
- STOP: 1.3535 (Below 18-FEB low)
- BREAK: 1.3655 (Above 18-FEB high)

**PROFIT:** 70 Pips

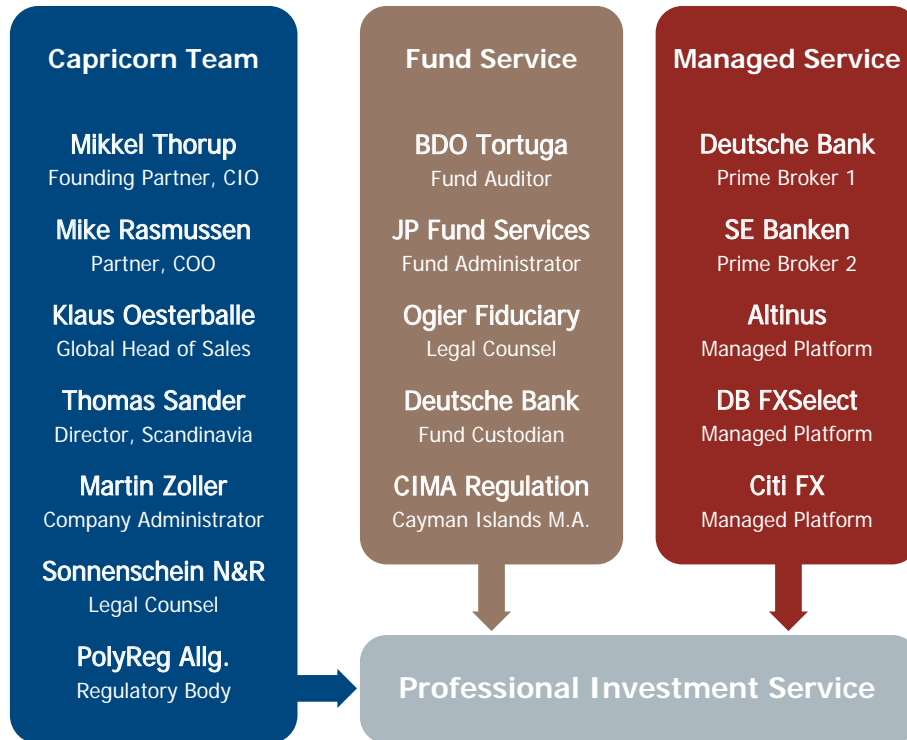
**MAX. RISK:** 75 Pips (Stop of 1.3535)

**TRADE RISK:** 32 Pips (Low of 1.3578)





# 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.



## INVESTMENT VEHICLE

**MANAGED ACCOUNT:** Via Prime Brokerage

**PRIME BROKERS:** Deutsche Bank AG and SE Banken AB

**REGULATION:** PolyReg Allgemeiner  
Selbstregulierungs-Verein

**LEGAL COUNSEL:** Sonnenschein Nath & Rosenthal LLP

**MEMBERSHIP:** AIMA

**ASSOCIATIONS:** Market Technicians Association  
Intl Federation of Technical Analysts

### MANAGED ACCOUNT ADVANTAGES

- Full transparency on the account
- Complete flexibility on investment exposure
- Improved investment liquidity terms
- Possibility in customising investment strategy
- Notional funding capabilities
- Greater regulatory oversight



## OUR CONCLUSION

Capricorn's fxST 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. Via two Prime Brokerages with leading currency providers, the program is supplied with the required "Best Pricing" and "Best Execution" strategy.

## THE UNIQUE SELLING POINTS

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- 10 year track record of risk-adjusted returns
- 3 different trading styles to capture alpha
- Strategy is 75% Position Neutral
- Low correlation to equities and bonds
- Constituent of recognised industry indices
- Overall ★★★★★ Rating from Morningstar

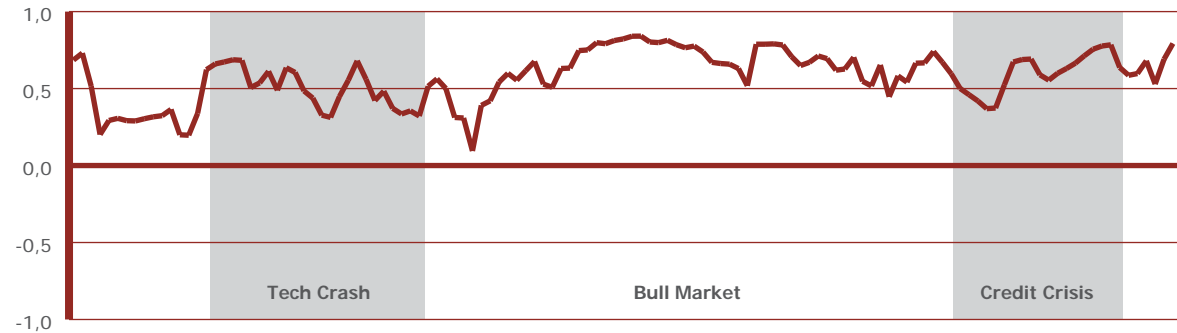


## TREMONT HF CORRELATIONS (Hedge Fund Index)

### The Tremont Hedge Fund Index

- Positive correlation to S&P 500
- Positive correlation in Bull Markets
- Positive correlation in Bear Markets
- Correlation of 0.5471 (since 1/1999)

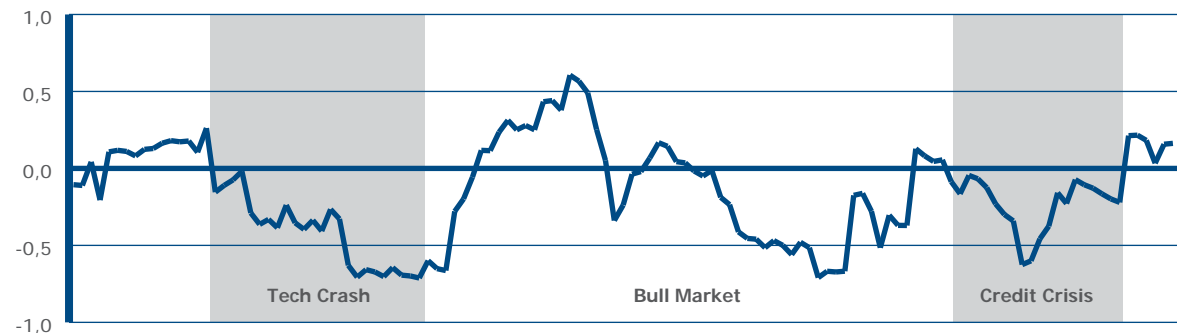
12 Month Rolling Correlation Analysis - Tremont HF Index vs. S&P 500 (JAN-1999 to APR-2010)



### The Capricorn fxST strategy

- Low correlation to Tremont HF Index
- Mixed correlation in Bull Markets
- Negative correlation in Bear Markets
- Correlation of -0.0595 (since 1/1999)

12 Month Rolling Correlation Analysis - Capricorn fxST vs. Tremont HF Index (JAN-1999 to APR-2010)



Data is compiled using results from JAN 1999 to APR 2010.

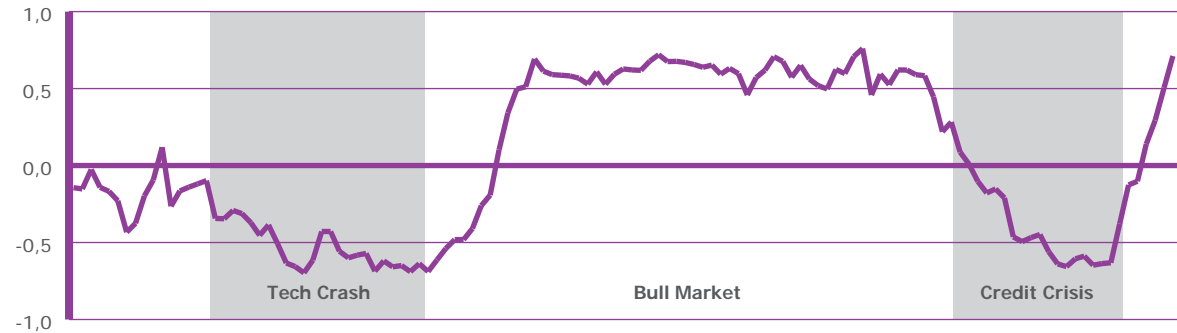


## STARK 300 CTA CORRELATIONS (CTA Index)

### The Stark 300 CTA Index

- Negative correlation to S&P 500
- Positive correlation in Bull Markets
- Negative correlation in Bear Markets
- Correlation of -0.1895 (since 1/1999)

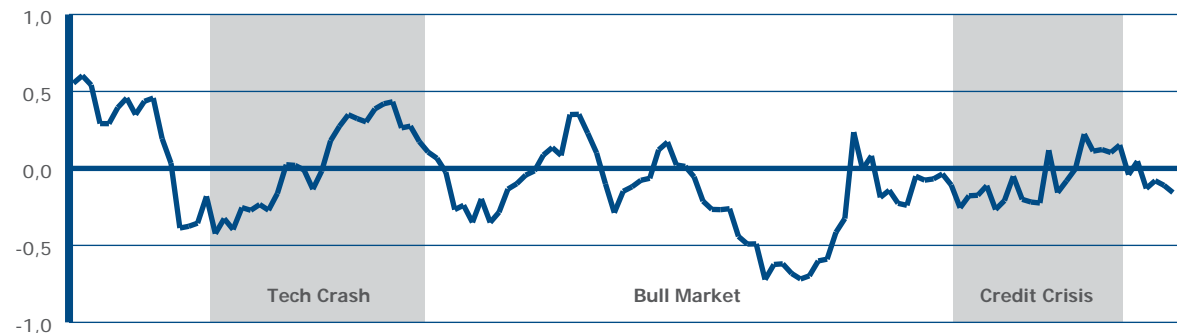
12 Month Rolling Correlation Analysis - Stark 300 CTA Index vs. S&P 500 (JAN-1999 to APR-2010)



### The Capricorn fxST strategy

- Low correlation to Stark 300 Index
- Mixed correlation in Bull Markets
- Low correlation in Bear Markets
- Correlation of -0.0214 (since 1/1999)

12 Month Rolling Correlation Analysis - Capricorn fxST vs. Stark 300 CTA Index (JAN-1999 to APR-2010)



Data is compiled using results from JAN 1999 to APR 2010.

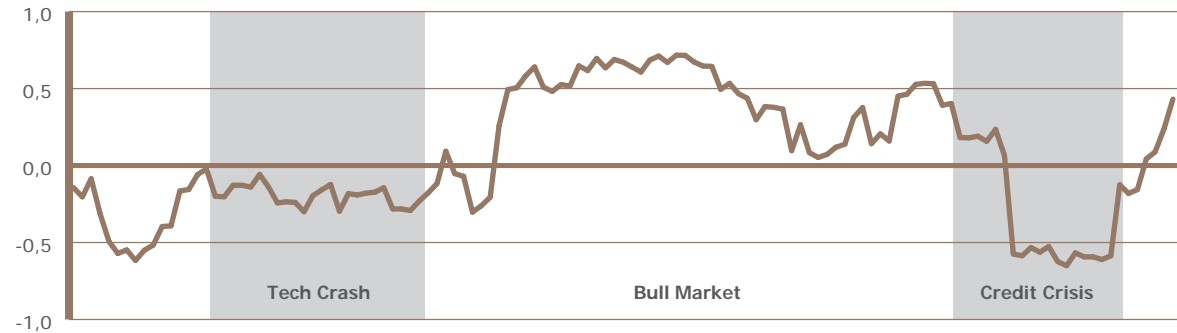


## PARKER FX CORRELATIONS (Currency Index)

### The Parker Currency Index

- Low correlation to S&P 500
- Positive correlation in Bull Markets
- Negative correlation in Bear Markets
- Correlation of -0.0731 (since 1/1999)

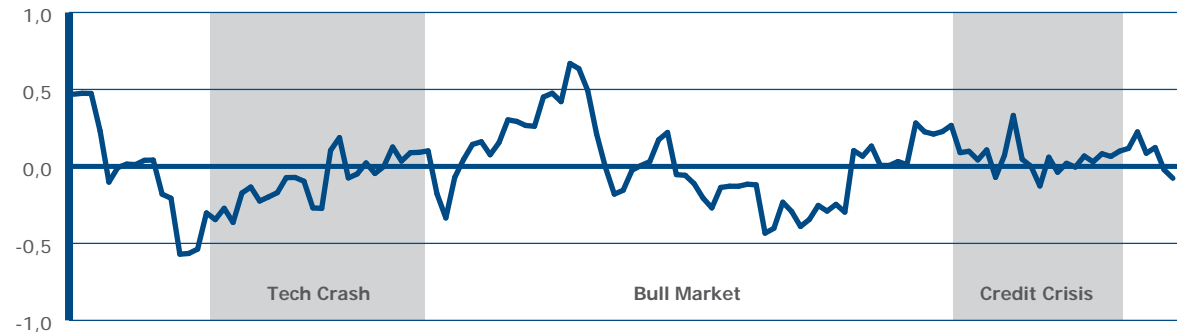
12 Month Rolling Correlation Analysis - Parker FX Index vs. S&P 500 (JAN-1999 to APR-2010)



### The Capricorn fxST strategy

- Low correlation to Parker FX Index
- Mixed correlation in Bull Markets
- Low correlation in Bear Markets
- Correlation of 0.0146 (since 1/1999)

12 Month Rolling Correlation Analysis - Capricorn fxST vs. Parker FX Index (JAN-1999 to APR-2010)



Data is compiled using results from JAN 1999 to APR 2010.