Orvent

JANUARY 2012

KEY RETURN FIGURES

Return (after management and performance fees)	Orvent (USD)[1]	MSCI All Country Asia Pacific NDTR Index (local currency)	HFRI Event Driven Index (USD)	US 3-month Treasury bill (USD)
January 2012, %	−0.35	5.99	2.44	0.00
Year to date 2012 (31 December 2011–31 January, 2012), %	−0.35	5.99	2.44	0.00
Last 12 months, %	–	–	–	–
Since inception (1 January 2011), %	−7.62	−10.78	−0.84	0.06
Average annual return since inception, %	–	–	–	–
Risk ratios and other key figures [2]				
Standard deviation, %	–	–	–	–
Downside risk, %	–	–	–	–
Sharpe ratio	–	–	–	–
Correlation with MSCI Asia Index	–	–	–	–
Max Drawdown, %	−8.69			
Time To Recover, number of months	At least 4			
Longest Time to New ATH, number of months	At least 14			
Positive Months, %	–			

KEY EXPOSURE FIGURES (AT 31 JANUARY, 2012)

Exposure	
Gross exposure, %	136.3
Net exposure, %	13.6
Beta adjusted net exposure, %	−3.9

Concentration	Long positions	Short positions	Total
Number	58	59	117
Percentage of NAV, %	79.8	−66.3	146.1
Average position, (% of NAV)	1.4	−1.1	1.2
Top five position, (% of NAV)	23.3	−18.3	28.0
Top ten position, (% of NAV)	34.3	−27.1	42.5

Hard-to-Value Assets [3]	
Gross market value/NAV [4], %	–

CONTRIBUTION, % (FOR MONTH OF JANUARY, 2012)

	Merger arbitrage	Earnings surprises	Capital structure	NAV discrepancy	Balance sheet	Index changes	Total
Australia	−0.08	0.08	0.03	–	0.54	−0.01	0.56
China	−0.03	–	–	–	–	–	−0.03
Hong Kong	0.04	–	–	−0.17	−0.06	–	−0.19
Indonesia	0.01	–	–	–	–	–	0.01
India	−0.10	–	–	–	–	−0.01	−0.11
Japan	–	−0.09	–	–	−0.08	–	−0.17
Malaysia	−0.10	–	–	0.01	–	–	−0.09
New Zealand	–	–	–	–	–	–	–
Philippines	–	–	–	–	–	–	–
Singapore	0.01	−0.03	–	−0.03	−0.02	–	−0.07
Korea	–	–	0.01	–	–	–	0.01
Thailand	–	–	0.04	–	–	–	0.04
Taiwan	–	–	−0.35	0.08	–	–	−0.28
Other	–	–	–	–	–	–	–
Total	−0.26	−0.04	−0.27	−0.12	0.39	−0.02	−0.33

CURRENT GROSS EXPOSURE5), % (AT 31 JANUARY, 2012)

	Merger arbitrage	Earnings surprises	Capital structure	NAV discrepancy	Balance sheet	Index changes	Total
Australia	17.99	3.91	–	–	13.41	0.25	35.56
China	0.38	–	2.80	–	–	–	3.18
Hong Kong	0.63	–	0.34	10.12	–	–	11.09
Indonesia	0.67	–	–	–	–	–	0.67
India	2.65	–	–	–	–	–	2.65
Japan	0.71	3.54	–	–	–	–	4.26
Malaysia	3.97	–	–	1.05	–	–	5.02
New Zealand	–	–	–	–	–	–	–
Philippines	–	–	–	–	–	–	–
Singapore	–	–	–	4.37	1.11	–	5.48
Korea	–	–	6.56	–	–	–	6.56
Thailand	–	–	6.88	–	–	–	6.88
Taiwan	–	–	17.04	1.62	–	–	18.66
Other	–	–	–	–	–	–	–
Total	27.00	7.45	33.62	17.16	14.52	0.25	100.00

MONTHLY RETURN1) (SINCE INCEPTION AFTER MANAGEMENT AND PERFORMANCE FEES)

Year	Return full year, %	NAV USD m	% Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	−7.29	127.4	−0.98	0.47	−1.81	−0.86	−0.38	−2.96	0.39	0.19	−1.62	−1.43	1.86	−0.33
2012/01/31	−0.35	127.0	−0.35											

MONTHLY REVIEW

The Orvent Fund returned -0.36% for the month of January. The NAV Discrepancy sub strategy was the main positive contributor to performance with the Balance Sheet sub strategy being the main detractor. Within the NAV Discrepancy stub strategy it was the higher frequency trades in Singapore and Hong Kong that were the main contributors following the higher volatility seen during the month. The largest single situations that had a positive contribution to return were i) the TSM ADR premium trade (TSM vs 2330 TT) where profits were realised within the month , ii) Japanese 3rd quarter post announced earnings trades and iii) a post announced profit update from Boart Longyear (BLY AU) . The largest negative contributors were i) the Molopo (MPO AU) trade which is hedged with a short in Dart Energy (DTE AU), and ii) Nexus (NXS AU) following its announcement of a sale of its main assets to Shell.

Gross exposure has increased from 115% to 136% with the biggest exposure increases being within the Earnings and NAV Discrepancy sub strategies and decreases being within the Capital Structure Arbitrage and Merger Arbitrage sub strategy. The biggest increases in exposure to individual situations were i) the higher frequency NAV Discrepancy trades in Singapore, Malaysia and Hong Kong ii), an increase in the SKM ADR premium trade (SKM US vs 017670 KS), iii) an initiation in the BHP dual listed trade (BHP AU vs BLT LN). The biggest decreases in exposure to individual situations were i) an unwinding of the TSM ADR premium trade (TSM US vs 2330 TT) as it reached its target levels, ii) an unwind of the Kasikornbank PCL foreign premium trade (KBANK TB vs KBANK/F TB) as it reached its target levels, and iii) an unwind of the Bow Energy merger situation (BOW AU) following its successful deal completion.

The frequency of new merger deals continues to remain high with 10 new investable deals being announced during January. Spreads however have remained relatively tight with January risk sentiment at 1 year highs (AAIIBULL Index).

1) Refers to unit-holder with investments in the Fund since inception. 2) Risk ratios and other key figures for the Orvent fund are not meaningful due to the fund's short history. 3) Securities for which no market pricing information is available, e.g. some unlisted/private equity, or model priced instruments for which no industry standard software models are available, e.g. complex, structured, one-off contracts. 4) Net Asset Value. 5) As % of portfolio gross.

EXECUTIVE SUMMARY

Strategy	Event driven, market neutral investment style that seeks to exploit the mispricing of equity securities of companies involved in corporate events within the Asia-Pacific region (including Japan and Australia)
Goal	Low correlation to broader Asia-Pacific market and peer indices, a high degree of liquidity, a low concentration of single names, sectors or regions, a focus on downside protection and a strong overlay of risk controls
Targets	Net return: 13% to 17% p.a. Volatility: 6% to 8%
Management team	1 CIO, 1 portfolio manager, 1 Trader and 1 Operations Manager
Investor and owner	Brummer & Partners, a leading Nordic hedge fund group

WHY INVEST IN ORVENT?

- The team has 30+ years of combined investment experience at both proprietary desks and hedge funds.
- The team possesses diverse experience and backgrounds across special situations investing; these skills are often complementary, enabling individuals to subject trades to peer review and helping reveal less obvious sources of alpha and risk.
- The team applies a strong quantitative approach to idea screening, analysis, portfolio construction and downside protection.
- The portfolio includes a blend of strategies which generally have low correlation to markets and additionally low correlations amongst themselves. These include mergers and acquisitions, equity structure arbitrage, NAV discrepancies, earnings surprises, index changes and balance sheet initiatives primarily in equities.
- The Asia-Pacific universe of event opportunities is large, enables a complementary blend of risk/reward profiles, and has unique cultural characteristics that benefits the experienced manager.

RISK MANAGEMENT

- Risk models attempt to limit drawdown risk for any 1 idea to 50bp of performance
- Drawdown risk is a key driver of portfolio construction
- Accurate measurement and maintenance of market neutrality via beta adjustments
- Hedging occurs at both idea and portfolio level – providing minimal macro risk at country, sub strategy, and idea levels
- FX risk is hedged

PORTFOLIO MANAGERS

Scott Collison, Chief Investment Officer
Scott Collison is the Chief Investment Officer of the Orvent fund and has ultimate responsibility for managing the fund. Scott has over 20 years of experience in the financial markets, including over 16 years experience in asset management. Previously, Scott was the sole Portfolio Manager of an internal fund at Millennium Partners in Singapore which focused on Asian equity event driven and arbitrage strategies. Prior to Millennium, he was the sole Portfolio Manager of the Rubicon Asia Special Events Fund. Scott was also previously employed as a Director at Credit Suisse First Boston (CSFB) for a number of years.

Tony Wolfe, Portfolio Manager
Tony Wolfe is a Portfolio Manager for the Orvent fund. Tony has over nine years experience in the financial markets with over six years trading and researching event driven and special situations strategies throughout the Asia-Pacific markets. Previously, Tony was a Principle and Fund Manager at Pase Asset Management where he co-managed the Pengana Asia Special Events Fund. Tony also spent four years with Rubicon Asset Management in Sydney where he was responsible for researching and trading both Australian and Asia-Pacific event driven portfolios. Prior to this, Tony worked for a number of years for State Street Bank in Sydney.

PRODUCT STRUCTURE

Management fee	1% p.a.
Performance fee	20% over hurdle rate (high watermark)
Liquidity	Monthly subscriptions and redemptions (5 banking days notice)
Minimum investment	USD 100,000, EUR 100,000, SEK 1,000,000
Depositary	HSBC Institutional Trust Services
Auditor	KPMG
Inception date	1 January 2011

TYPICAL PORTFOLIO METRICS

Number of positions	60 to 80
Gross exposure, % NAV	120% to 180%
Beta adjusted net exposure, % NAV	–5% to 10%

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