



**FUSION**  
ASSET  
MANAGEMENT

# **FUSION Long Volatility**

**November 2010**

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Cayman Islands: No invitation may be made to the public in the Cayman Islands to invest in the Funds.

Performance of the strategy as a subportfolio of Plexus Fund Limited (from May 2007 to July 2008,inclusive) (slide 5): These USD denominated share class figures are estimates and are net of manager's fees. They have been prepared by Plexus Partners LLP in conjunction with Fusion Asset Management LLP, based on valuations provided by Citi Hedge Fund Services (Ireland), Limited, the administrator of the Plexus Fund Limited. Their accuracy is not guaranteed, though they have been prepared on what is regarded as a reasonable basis. They may be based on information which is provisional or incomplete, obtained from unverified third party sources, and/or reflect particular judgments and opinions as to how a particular asset or liability should be valued.

Fusion Fund performance (slide 5): These USD denominated share class figures are net of manager's fees and costs. They have been prepared by) Citi Hedge Fund Services (Ireland), Limited, the administrator of Fusion Fund, the shares of which are listed at the Irish Stock Exchange.

The past performance is not a reliable indicator of future results.

# Fund Overview

Pure long optionality investment strategy with insurance profile, designed to deliver consistent positive returns during periods of market stress and corrections

- ❑ Negatively correlated exposure to underlying asset classes
- ❑ Diversifying addition to an investment portfolio of alternatives
- ❑ Protective component with strictly limited downside
- ❑ Experienced Investment Manager - Fusion Asset Management LLP (Fusion)
  - ▶ 5 year track record of quality positive returns in various market regimes
  - ▶ Expertise in systematic trading strategies across major asset classes
  - ▶ Strong emphasis on capital preservation

Available in fund format or as a managed account

# Investment Strategy

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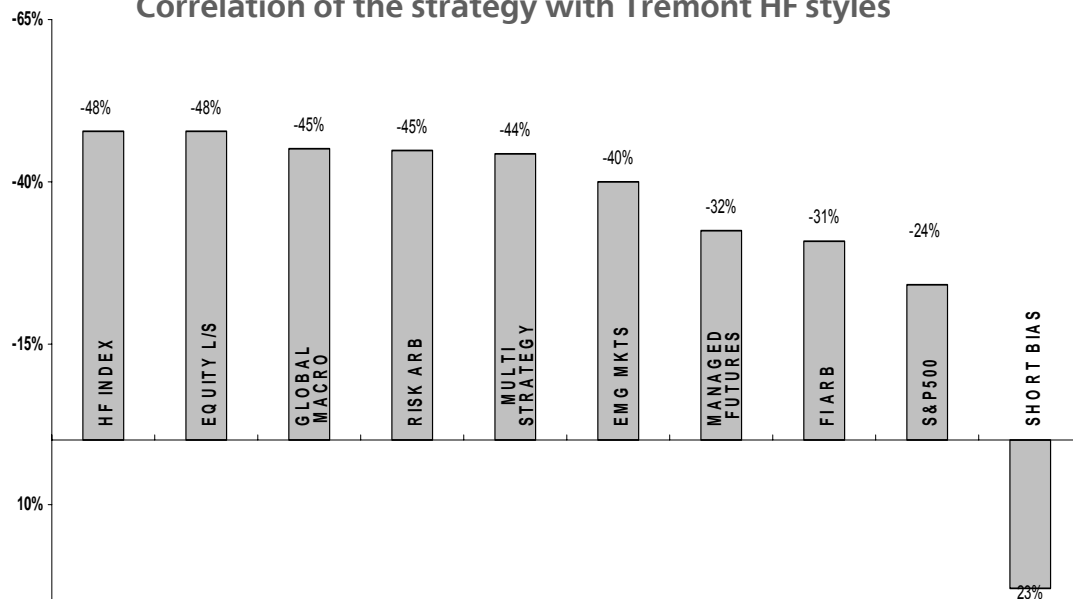
- ❑ Long option positions across a diversified portfolio of Equities, FX, Commodities and Fixed Income
- ❑ Proprietary quantitative techniques and models are used for forecast of volatility regimes from daily to monthly horizons
- ❑ Trade construction focuses on creating maximum protection with minimal cost
- ❑ Proprietary Automated Trading Platform developed to run multiple optimal delta-hedging algorithms to cover options time decay

# Historical Performance

## Fusion Volatility Strategy\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-1.70%	-1.82%	0.34%	2.06%	5.78%	1.28%	-1.05%	-0.76%	-1.96%	-0.62%			1.31%
2009	0.57%	-3.71%	-0.80%	-1.89%	2.71%	-1.19%	-0.15%	-0.28%	-5.26%	2.69%	-0.30%	-3.20%	-10.58%
2008	1.90%	-1.36%	-0.43%	4.28%	-3.30%	-3.90%	6.25%	0.35%	4.72%	3.45%	0.33%	0.10%	12.51%
2007					-0.04%	0.62%	5.06%	2.33%	0.04%	0.21%	0.51%	-0.38%	8.54%
LTD													10.63%

### Correlation of the strategy with Tremont HF styles



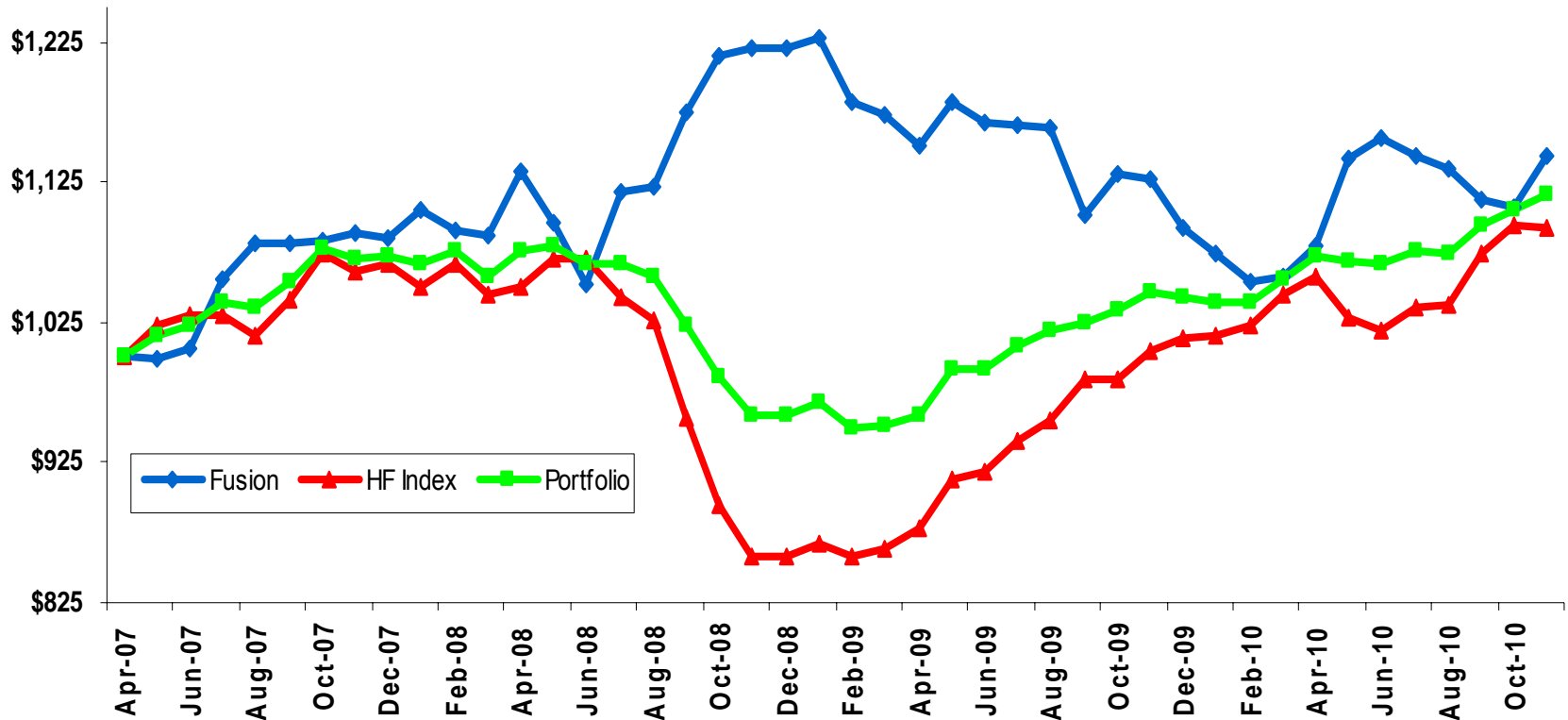
- Significant anti correlation with major hedge fund styles
- Valuable addition to portfolio allowing to reduce volatility and improve downside protection

\* refer to Disclaimer on page 2

# Valuable addition to portfolio of alternatives

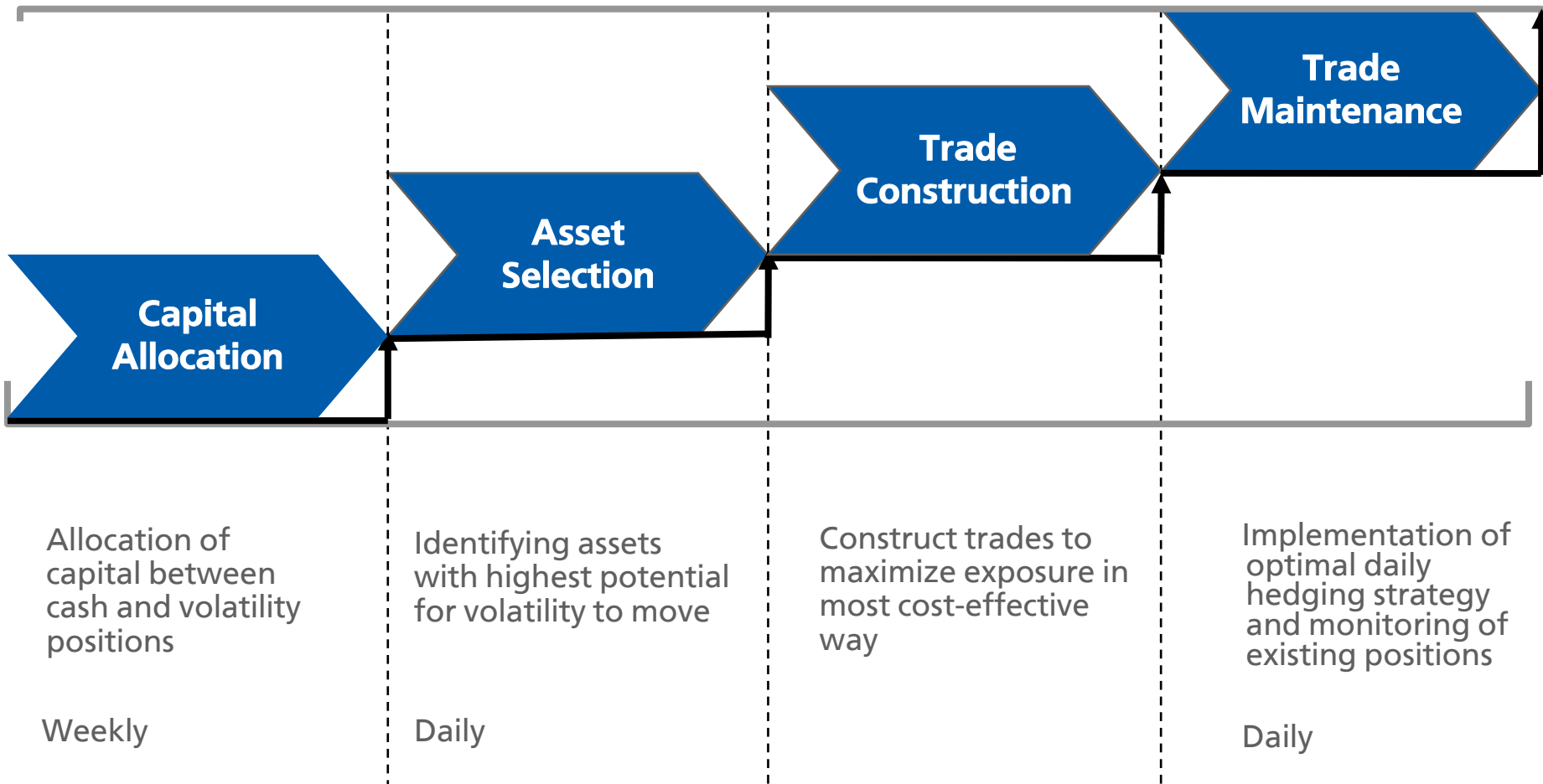
Attractive absolute return

Performance of strategy vs. Tremont HF index and optimized portfolio  
(85% Tremont/15% Fusion 2xLeveraged share class)



# Investment Process

Quantitative approach based on models with proven robustness for different time frames and wide selection of assets



# Portfolio Construction and Risk Management

- ❑ Minimum of 25% of Risk Capital allocated at all times
- ❑ Invested across at least 2 asset classes
- ❑ Total premium invested limited to between 8% and 30% of NAV
- ❑ Premium of any one asset cannot exceed 15%
- ❑ Risk Limits
  - ▶ Vega positive
  - ▶ Gamma positive
  - ▶ Crash Protection
  - ▶ Theta will not exceed 0.2% per day of NAV

# Fusion Asset Management

- ❑ **Experienced Manager**
  - ▶ Five years track record of quality positive returns in various market environments
  - ▶ Expertise in successfully running systematic trading strategies
  - ▶ Strong emphasis on capital preservation
  
- ❑ **Balanced Team**
  - ▶ 14-strong team with many years of trading and risk management experience
  - ▶ Constantly striving for excellence to increase value for clients
  - ▶ Strong academic backgrounds
  
- ❑ **Robust Infrastructure**
  - ▶ Fully automated execution and robust operations
  - ▶ Ongoing investment in systems
  - ▶ Dedicated IT and R&D teams

# Summary

- ❑ Compelling addition to a portfolio
  - ▶ Uncorrelated returns versus underlying markets
  - ▶ Strong performance during volatility spikes
  - ▶ Limited downside inherent to trade construction
  - ▶ Guaranteed to capture crash event
  - ▶ Capital gains preserved by active gamma trading
  
- ❑ Insurance-style protection
  
- ❑ Years of trading experience, proprietary research and infrastructure development

# Fund Structure

<b>Name</b>	<b>Fusion Fund</b>
<b>Investment Manager</b>	<b>Fusion Asset Management LLP</b>
<b>Jurisdiction of Fund</b>	<b>Cayman Islands</b>
<b>Regulation of Investment Manager</b>	<b>Authorized and regulated by the Financial Services Authority</b>
<b>Minimum Investment</b>	<b>\$100K</b>
<b>Subscription/Redemption</b>	<b>Monthly</b>
<b>Management Fees</b>	<b>2% pa monthly</b>
<b>Performance fees</b>	<b>20% performance semi-annually, with high watermark</b>
<b>Redemption Gate</b>	<b>Discretionary 25% of Fund's NAV monthly</b>
<b>Redemption penalty</b>	<b>0-6 months 2% fee, 6-12 months 1% fee</b>
<b>Capital Structure</b>	<b>Class A1 – USD, Class A2 – EUR</b>
<b>Listing of Class A</b>	<b>Irish Stock Exchange</b>
<b>Reporting</b>	<b>Monthly Investor Reports / Annual Audited Financial Statements</b>
<b>Prime Broker</b>	<b>UBS AG</b>
<b>Administrator</b>	<b>Citi Hedge Fund Services (Ireland), Limited</b>
<b>Legal Adviser</b>	<b>Dechert LLP / Walkers</b>
<b>Auditor</b>	<b>E&amp;Y</b>

# Additional Information

Detailed presentation with models, methods and trade examples is available on request

Additional information can be requested from

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