



proteom

D050  
Volatility-Protected  
Market Neutral US Equity Fund

## *Strategy Description*

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**Past performance is no guarantee of future results.**

While every effort has been made to provide data from sources considered to be reliable, no guarantee of accuracy is given. Contents of the brochure are subject to change and periodic revisions without prior notice.

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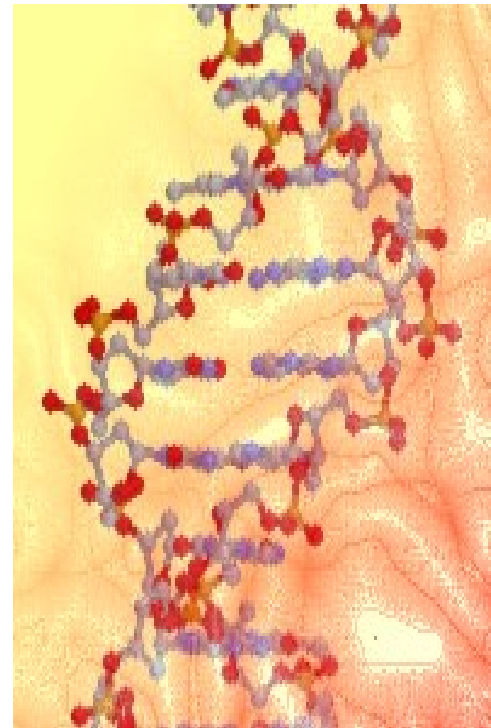
# Concept



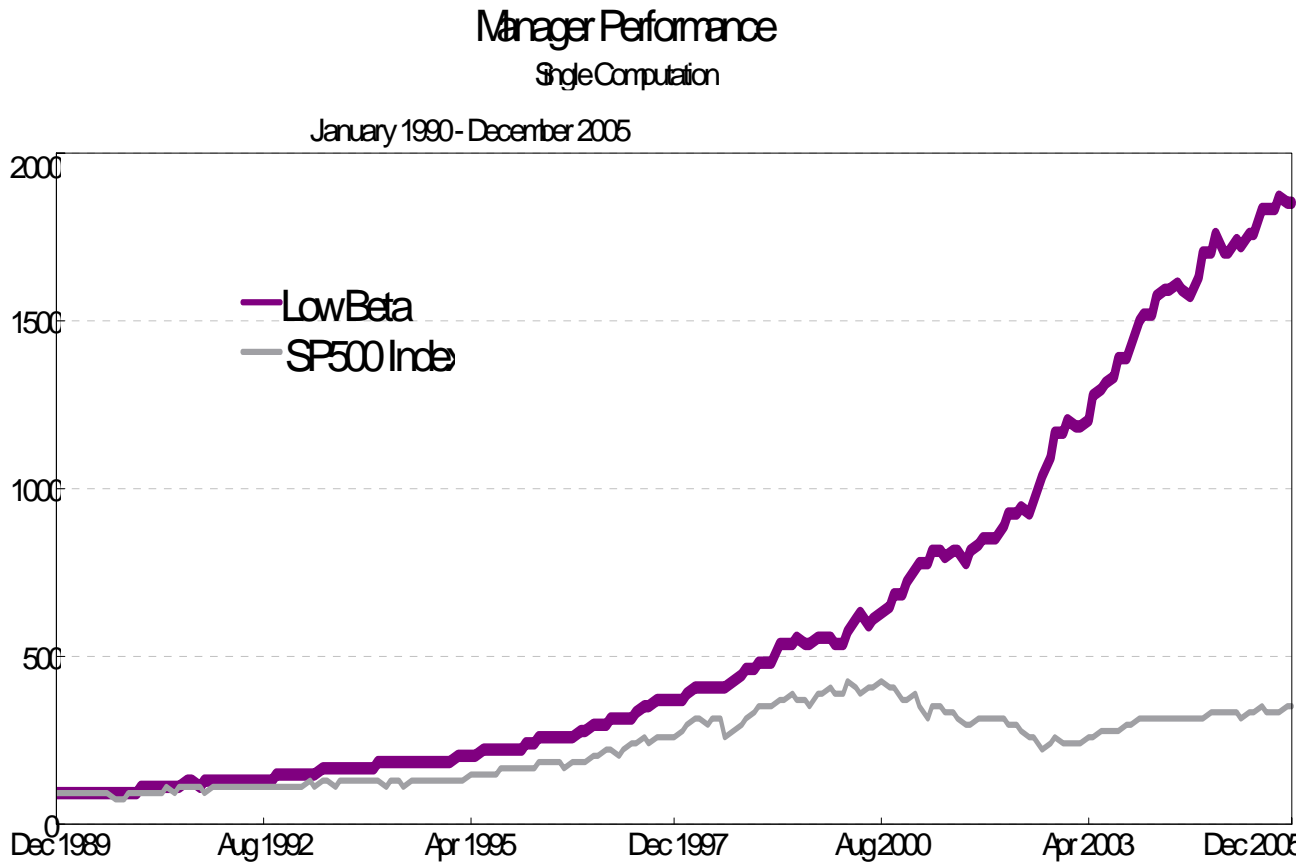
“Using the power of computational biology to navigate financial markets.”

# Investment Objectives

- Return
  - Generate consistent, double-digit alpha
- Risk
  - Beta neutral
  - Low single digit volatility
  - Lower downside risk
  - Superior performance in poor markets



# Historical Performance



# Performance Summary

<b>Jan 1990 – Aug 2005</b>	<b>S&amp;P500</b>	<b>Proteom</b>
Compound Return	8.21%	20.03%
Downside Risk	9.33%	2.96%
Volatility	14.27%	8.35%
Beta		0.21
Sharpe	0.28	1.89
Information Ratio		0.87
<b>Annualized Alpha</b>		<b>14.44%</b>

- Returns are gross and do not take account of management or performance fees

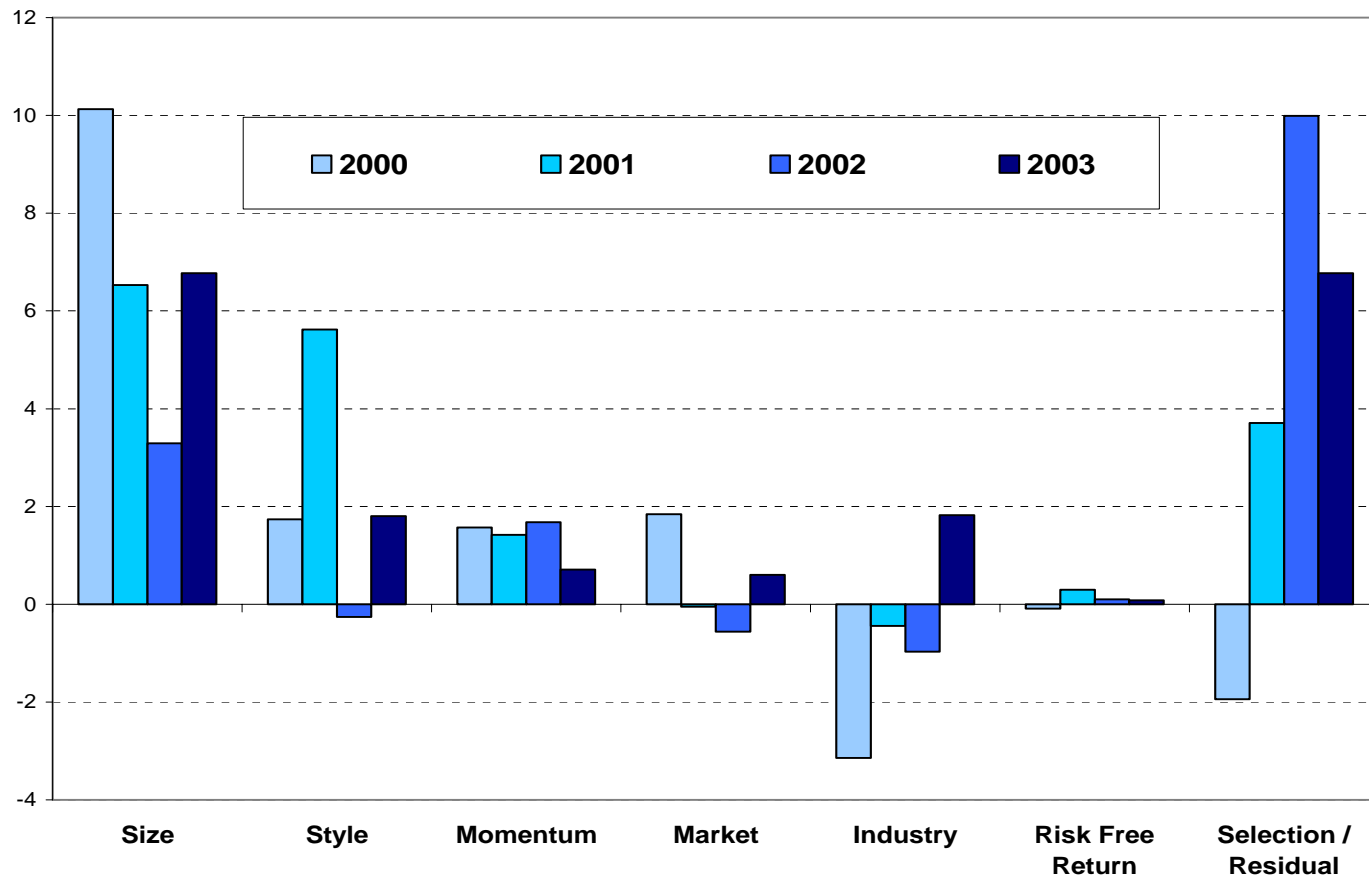
# Annual Returns

<b><u>Year</u></b>	<b><u>1990</u></b>	<b><u>1991</u></b>	<b><u>1992</u></b>	<b><u>1993</u></b>	<b><u>1994</u></b>	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>
<b>Fund</b>	8.14	26.09	13.95	12.90	12.61	20.13	27.91	24.52	24.93	19.50
<b>Index</b>	-6.56	26.31	4.46	7.06	-1.54	34.11	20.26	31.01	26.67	19.53
<b><u>Year</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>				
<b>Fund</b>	28.65	18.55	35.73	27.94	18.17	5.08				
<b>Index</b>	-10.14	-13.04	-23.37	26.38	8.99	3.00				

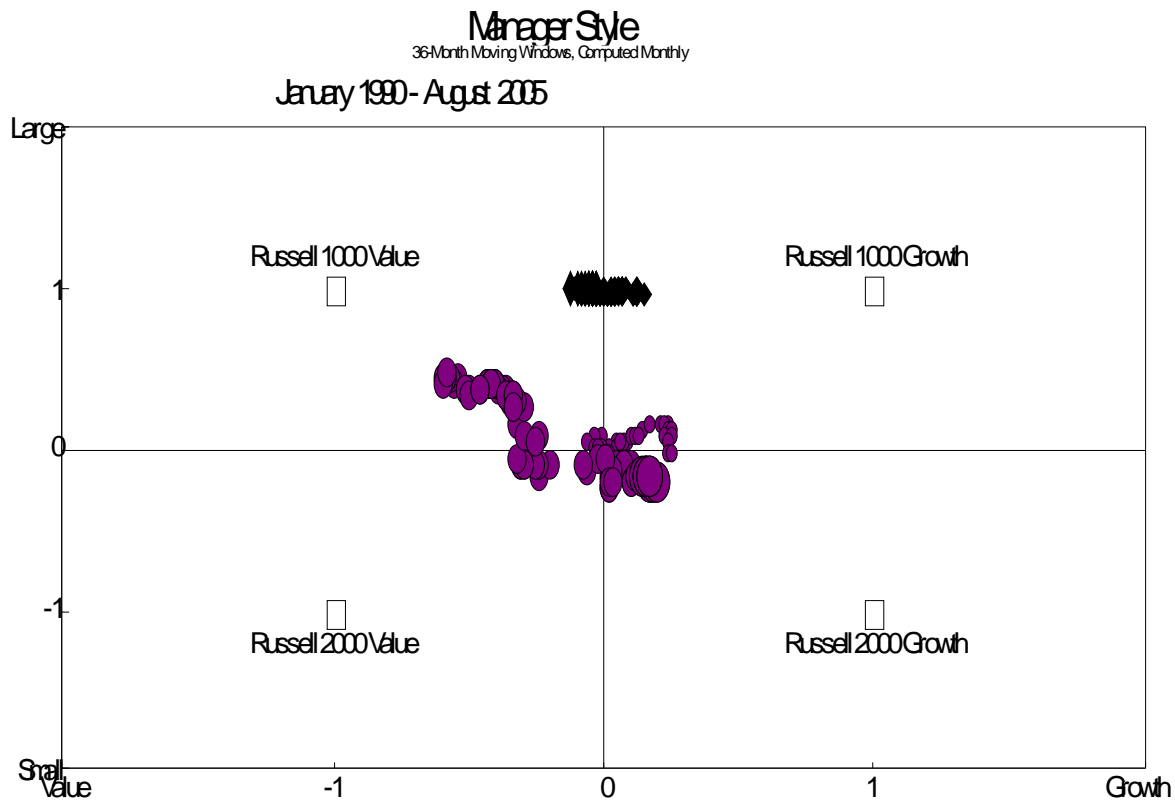
## Notes:

1. Live trading began in Jan 2003
2. Returns are net of trading costs and management fees.

# Alpha Generation



# Style Analysis



# Experience

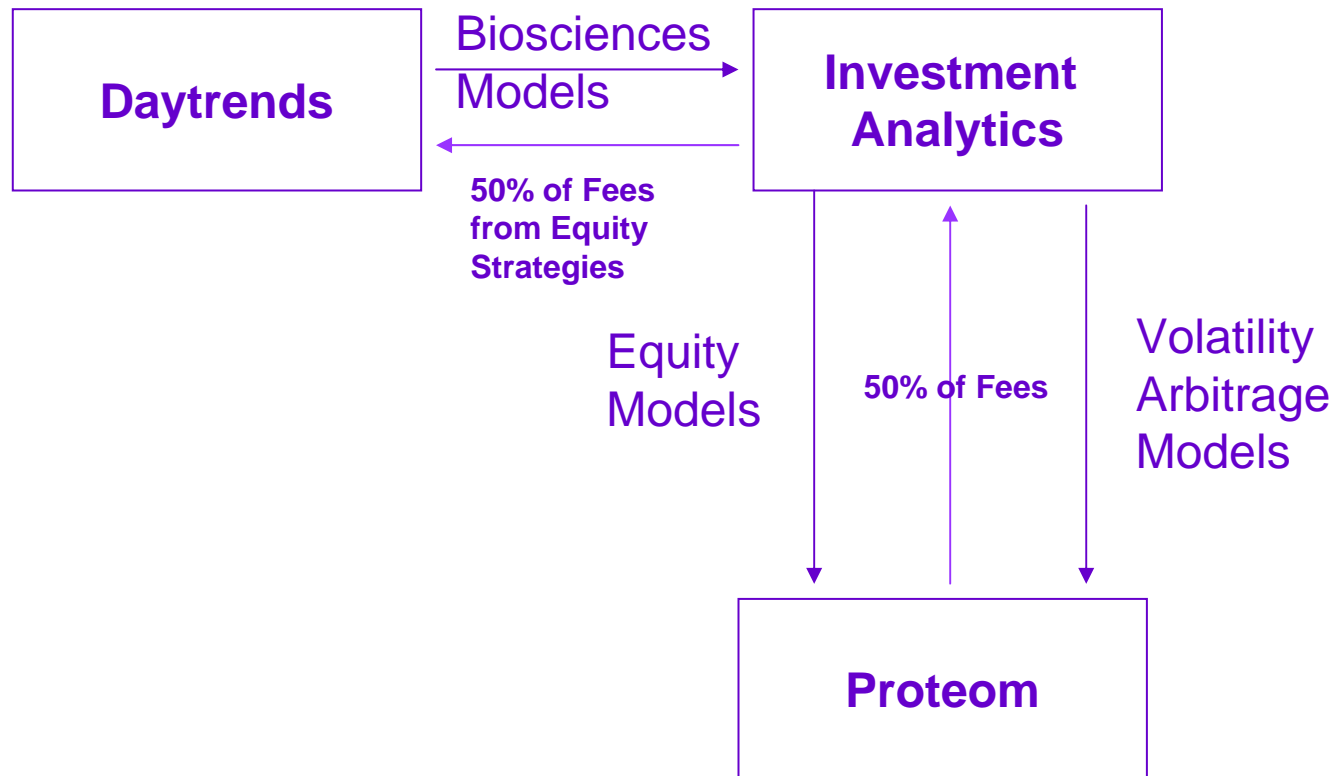


- Jonathan Kinlay, PhD
  - CEO of Proteom Capital Management Ltd.
  - Founder \$350M Caissa Capital fund
  - Managed \$50M hedge fund for 7 Years
  - Founder, Investment Analytics
  - Adjunct Professor, New York University



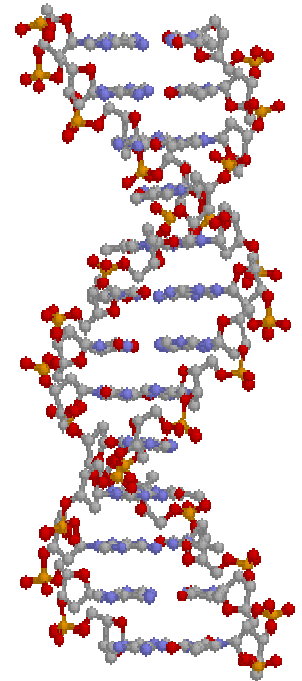
- Haftan Eckholdt, PhD
  - Graduate degrees Cornell & Columbia
  - Biostatistician for 10 years
  - Headed Biometry in Neuroscience
  - Founded Daytrends Inc. in 2000

# Ownership Structure



# Investment Approach

- Investment Universe
  - S&P 500 index members
- Portfolio Construction
  - Computational biological methods
- Risk Management
  - Integrated short index hedge
  - Integrated long volatility hedge



# Advantages

- Superior Performance
  - Annual alpha of 14.44%
  - Outperformance 45% in '00-'02
- Low Risk
  - Zero beta
  - Diversification
  - Hedging program
    - Long volatility
    - Lower downside risk



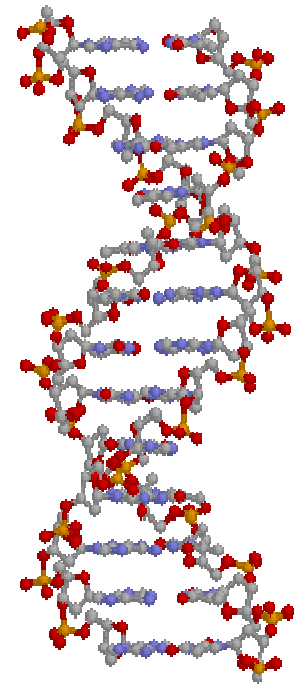
# Advantages

- **Unique Proprietary Technology**
  - Sustainable competitive advantage
  - Consistent strategy alpha
- **Capacity & Scalability**
  - \$billions capacity in S&P500 universe
  - Non-discretionary trading and automated execution platform offer rapid scalability
- **Experienced team**
  - 20 years money management experience
  - Profitable track record quantitative strategies



# Portfolio Construction

- S&P500 Index members
  - Inputs are membership sample and histories
- Models run daily
  - Data downloaded overnight
  - Decryption algorithms identify complex patterns
  - Simulated trading
  - Selection of competing portfolios
  - Trades executed MOC
- Hedge positions adjusted at close
  - Short SPY hedge
  - Long volatility hedge (VIX futures)



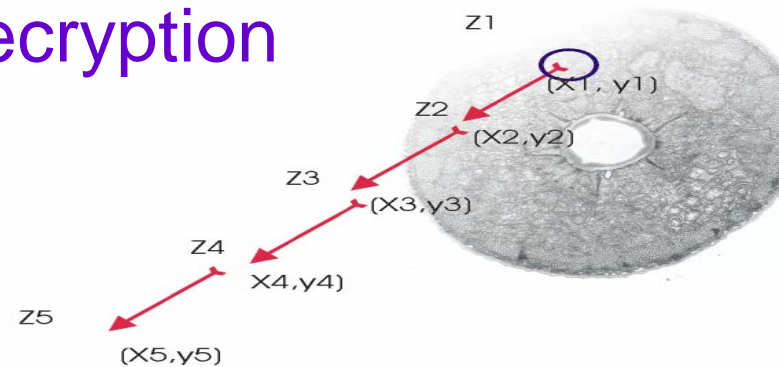
# Technologies

- Gene Sequencing / Decryption

- Neural Networks

- Computer Clusters

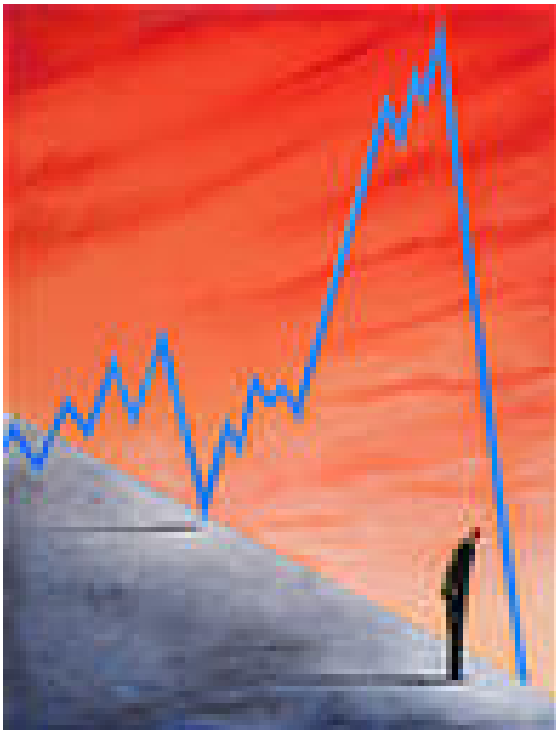
- 50 CPU cluster using parallel processing
- Identifies complex patterns in asset processes



$$(x_{z_{i+1}} - x_{z_i})^2 + (y_{z_{i+1}} - y_{z_i})^2 \leq \left(\frac{2c}{3}\right)^2$$

C is minimum distance between cell centers on the same slide

# Risk Management



- Market Risk
  - Diversified across stocks / sectors
  - Short index hedge in SPY
  - Long position in VIX futures / Swaps
  - Value-at-Risk monitoring
- Low Volatility
  - 8.41% vs. 14.38% S&P 500 Index
- Low Downside Risk
  - 2.98% vs. 9.42% S&P 500
- Low Drawdowns
  - -4.93% vs. -28.99% S&P 500 Index (2002)
- Worst year
  - +8.14% vs. -23.37% S&P 500

# Execution

## REDIPlus<sup>®</sup> Electronic Trade Platform



	+2.688
0	+5.000
1	+1.500
0	+1.125
0	+1.062

- Proven, reliable, widely used
- Access to all major exchanges
- Fast , efficient, low cost
- Minimize visibility of execution
- Direct feed from modeling systems
- Scalable: executes trades in \$billions

# Investor Information

## TERMS OF INVESTMENT

Management Fees	2%
Performance Allocation	25%
Minimum Investment	\$1 million US
Subscriptions	Monthly
Redemptions	Quarterly, 30 days notice 5% penalty in year 1
Lock-up	None
High Water Mark	Yes
Managed Account Minimum	\$30 million US

# Service Team

<b>Legal</b>	USA: Coudert Brothers Bermuda: Appleby Spirling Hunter
<b>Prime Broker</b>	Goldman Sachs
<b>Custodian</b>	Spear Leeds Kellogg
<b>Auditor</b>	Ernst & Young
<b>Administrator</b>	Bisys

# Summary

- High alpha, market-neutral equity
- Proprietary bio-technology
- Integrated risk management
- Experienced, competent team

# Further Information

- Proteom Web Site: [www.proteomcapital.com](http://www.proteomcapital.com)
  - User name: pinvestor
  - Password: proteom
- Go to the Proteom web site for:
  - Technical Presentation
  - Two Page Strategy Summary
  - Zephyr Style Advisor report
  - Detailed Strategy Analysis
  - Due Diligence Information
  - Offering Documents

# Contact

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# Notes

1. Proteom Capital Management Ltd is the Investment Manager of the Proteom Fund Ltd.
2. Returns for the Proteom Fund, herein include the reinvestment of dividends, capital gains and other earnings.
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5. While every effort has been made to provide data from sources considered to be reliable, no guarantee of accuracy is given.
6. The contents herein are subject to change without prior notice.
7. This brochure is typically updated as at the most recent calendar month end.
8. Historical data are presented for informational purposes only.
9. Except where stated, funds managed by Proteom do not attempt to track any index or benchmark.
10. Benchmark data are total returns for the indices for the periods shown and are for comparison purposes only.
11. Cumulative benchmark data and performance data are compounded monthly.
12. Volatility is measured by the annualized standard deviation of monthly returns.
13. Investment programs described herein contain significant risks.
14. Proteom Equity Fund LLC is an onshore fund generally open to qualified US investors, as defined.
15. Proteom Global Equity Fund Ltd is an offshore fund generally open to qualified non-US investors, as defined.
16. This presentation is provided for information purposes only and is subject to, and qualified fully by the funds Confidential Private Placement Memorandum (PPM) and related documents.