

## H500: Long Volatility Fund

### Investment Objectives:

- A net-long volatility strategy
- Returns of 5% - 7% under normal market conditions
- Large gains of 10%-25% during market crashes
- Maintains performance during low volatility periods
- Negatively correlated with the market

### Methodology:

The investment universe comprises exchange-traded and OTC derivatives on S&P500 index member stocks and major market indices.

The strategy is based on proprietary econometric models that produce forecasts of future volatility of exceptional accuracy.

Sophisticated option pricing models are used to identify arbitrage opportunities and construct optimal net long volatility portfolios that have large positive Gamma.

The strategy uses leverage of 3:1.

### Investor Applications

- Crash protection
- Portfolio hedging
- Portfolio improvement
- Yield enhancement
- Market timing strategies (balanced funds)
- Negatively correlated overlay strategies

### Management:

Successful money management professionals with 20+ years of trading experience oversee portfolio construction and maintenance using state of the art proprietary computer systems with a constant monitoring of risk models and performance optimization to maintain predetermined performance targets.

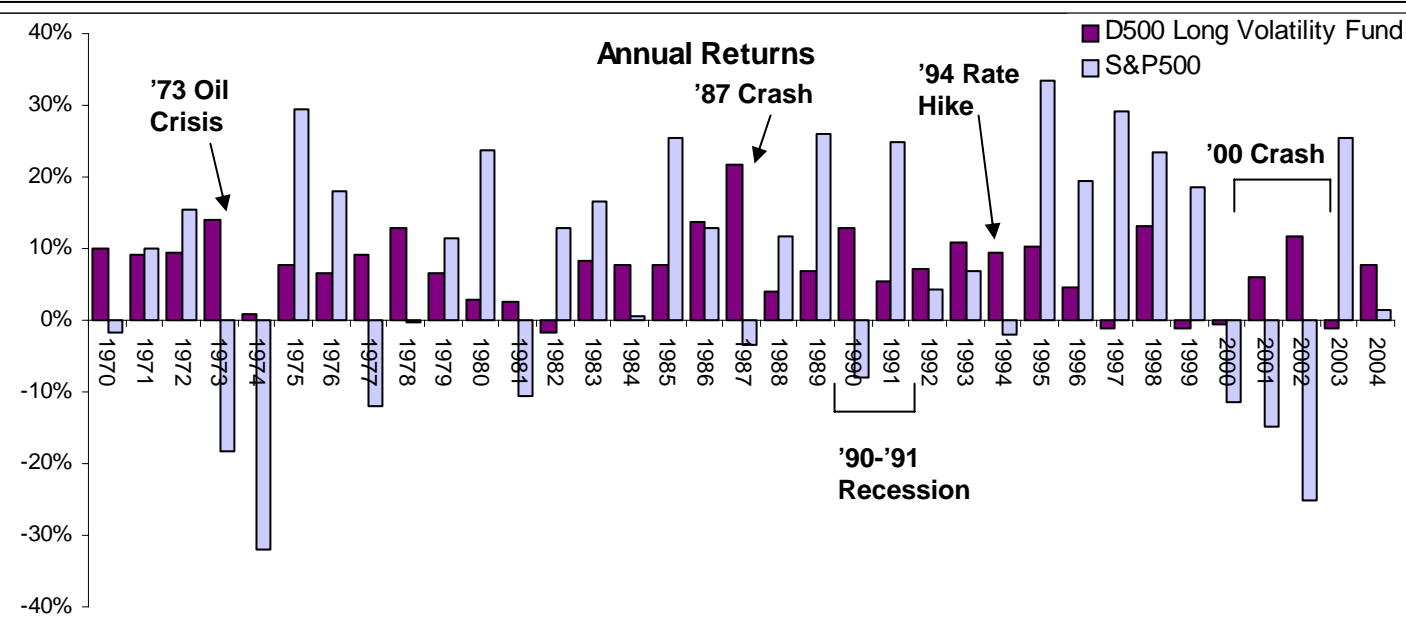
## Performance Back Test - Summary Statistics

	Return	Volatility	Sharpe Ratio	Downside Risk	Best Period	Worst Period	Alpha	Beta	Corr	Info Ratio
<b>Fund</b>	6.68	13.97	0.03	5.43	49.64	-15.68	3.36	-0.43	-0.47	-0.14
<b>Index</b>	10.16	15.34	0.26	9.93	13.18	-21.76				

## Performance Back Test - Net Returns\*

<b>Year</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>
<b>Fund</b>	3.00	2.43	-1.82	8.19	7.79	7.78	13.58	21.84	3.89	6.82
<b>Index</b>	25.77	-9.73	14.76	17.27	1.40	26.33	14.62	2.03	12.40	27.25
<b>Year</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>Fund</b>	12.86	5.38	7.24	11.00	9.40	10.33	4.64	-1.08	13.19	-1.13
<b>Index</b>	-6.56	26.31	4.46	7.06	-1.54	34.11	20.26	31.01	26.67	19.53
<b>Year</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>					
<b>Fund</b>	-0.62	5.91	11.64	-1.13	9.58					
<b>Index</b>	-10.14	-13.04	-23.37	26.38	8.99					

\*Calculated on monthly return data using Zephyr Style Advisor. Proteom Performance was calculated from 1979 through 2004, net of all fees, excluding dividends compared to the SP500 close price.



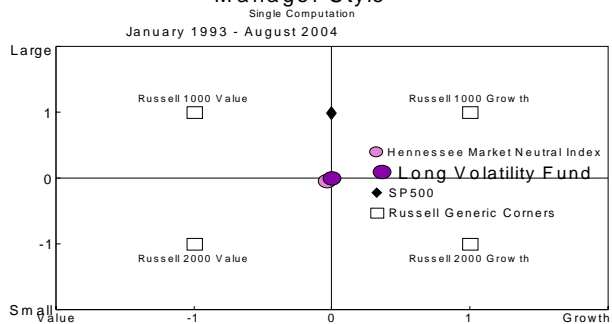
## Back Test Style and Attribution Analysis : 1993-2004

A comparison of style and performance against the Hennesse Market Neutral Hedge Index for its published period is summarized below.

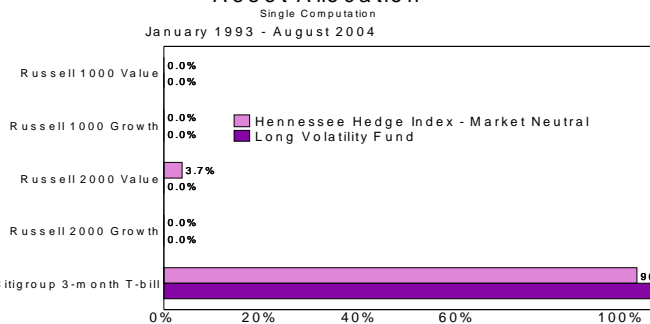
### Back Test Performance Summary: 1993-2004

	Return	Volatility	Sharpe Ratio	Downside Risk	Best Year	Worst Year	Alpha	Beta	Correlation	Information Ratio
<b>Fund</b>	6.72	3.49	0.78	2.63	16.29	-3.65	2.66	0.01	-0.60	-0.06
<b>Hennesse</b>	5.71	12.22	0.14	6.36	26.66	-12.60	4.40	-0.50	0.04	-0.02
<b>Index</b>	7.06	14.93	0.20	11.44	47.07	-29.03				

#### Manager Style

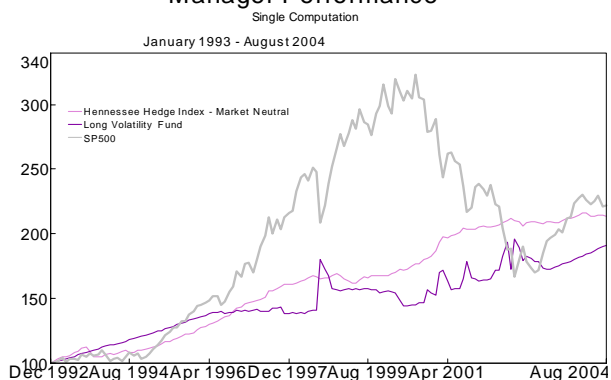


#### Asset Allocation



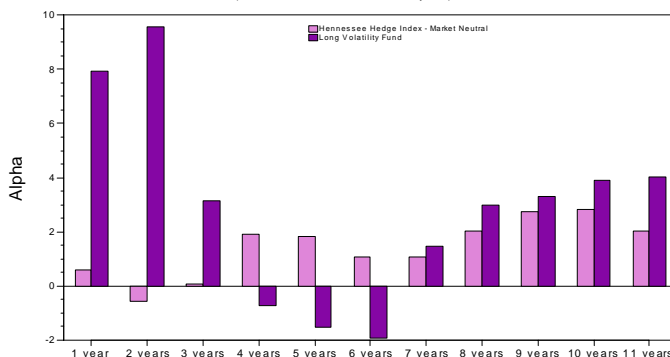
### Back Test Performance Comparison: 1993-2004

#### Manager Performance



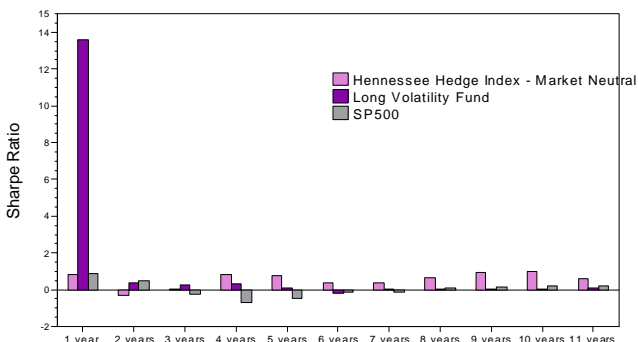
#### Manager vs Benchmark: Alpha through August 2004

(not annualized if less than 1 year)



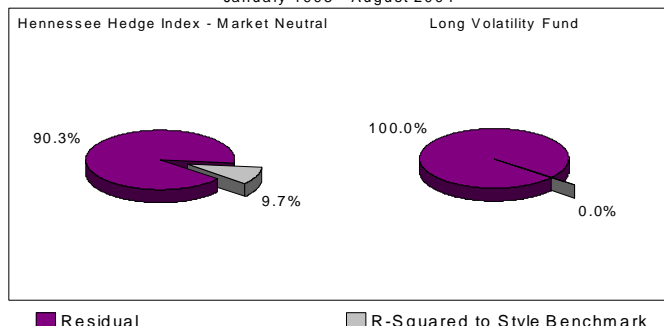
#### Manager vs Benchmark: Sharpe Ratio through August 2004

(not annualized if less than 1 year)



#### Performance Attribution

January 1993 - August 2004



### Fund Information

**Management:** 2% per annum  
**Minimum:** \$1,000,000  
**Legal Counsel:** Coudert Brothers

**Performance:** 25%  
**Subscriptions:** Monthly  
**Administrator:** BISYS

**Redemptions:** Quarterly, 30 day notice  
**Penalty:** 5% in year 1  
**Prime Brokers:** Goldman Sachs

**Lock Up:** none  
**High Water Mark**  
**Auditors:** Ernst & Young