



Euroption Strategic Fund

Due Diligence Questionnaire

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1. Fund's Facts.

1.1 – Structure.

Euroption Strategic Fund is a International Business Company incorporated and registered as a regulated open-ended professional mutual fund under the laws of the British Virgin Islands. The company has two classes of shares at present: Ordinary Shares, with the exclusive right to vote on all matters, and Participating Shares, redeemable and non-voting. The Fund is open to establish new classes in the future.

1.2 – Reference currency of fund.

The euro€ is the reference currency of Euroption Strategic Fund. Therefore any subscriptions must be made in euro€ or converted to euro€ before submission.

1.3 – Open for new investors?

Yes, at present, the Euroption Strategic Fund is open to new investors.

1.4 – When can investments be made?

Investments can be made continuously, on a monthly basis.

1.5 – Minimum Investment.

€ 10,000 .

1.6 – Lock-up period.

There is no lock-up period. Investments could be done also for a period of just one month.

1.7 – Front-end load?

None.

1.8 – Redemption frequency.

Monthly.

1.9 – Redemption notice.

Ten (10) business days before each valuation day.

1.10 – Can redemption be held back in “bad times” ?

The Director has the power to temporarily suspend dealing in certain circumstances when it is not possible to redeem properly without causing serious damage to the existing portfolio investments. Thus, in the

event that a redemption is temporarily suspended this will only be done if it is considered to be in the best interest of the shareholders-investors.

1.11 – Management Fee (%).

None (0%). Euroption Strategic Fund does not charge any Management Fee, only performance fees. The Investment Manager is thus forced to focus on delivering good profits for the Fund and its investors.

1.12 – What is the Performance Fee (%)?

The Investment Manager will receive a Performance Fee equal to 30% per annum on the total “New Net Trading Profits” attributable to the Investment Manager or appointed Trading Advisor(s) in any valuation period. “New Net Trading Profits” means realised / unrealised gains and all interest earned minus realised and unrealised losses, brokerage, commissions, exchange fees and interest paid. If the New Net Trading Profit during any financial accounting period is negative, that negative amount will be a carry forward loss and must be recouped before a Performance Fee is payable.

If the New Net Trading Profit is negative, that negative amount will be a carry forward loss and must be recouped before an Incentive Fee is payable. The system used by the administrator to calculate the Performance Fee is the Relative High Water Mark.

The Performance Fee will be calculated and accrued monthly and paid monthly in arrears.

1.13 – When are the Performance Fees charged?

The Performance Fee will be calculated and accrued monthly and paid monthly in arrears.

1.14 – High water mark?

Yes, a high water mark is applied and no Performance Fees are paid before the high water mark has been achieved.

1.15 – Hurdle rate?

No, any hurdle rate is applied.

1.16 – Other costs charged to the fund?

The policy of Euroption Strategic Fund is to lower at maximum the fixed costs, in order to maximize the return for the investors. However some fees, such as administration fees and audit are applied (indicated in the Offering Memorandum of the fund).

1.17 – Is the fund listed?

Euroption Strategic Fund is not listed on any Exchange.

1.18 – Type of investors.

The Fund is a professional mutual fund, so it is addressed to any professional investors, such as Banks and Funds of Hedge Funds.

1.19 – Are the assets held in the name of the Fund?

Yes, at all times.

1.20 – Are all or any of the assets segregated?

Yes, all assets of the Fund will always be held in segregated bank accounts in the name of the Fund.

1.21 – Can the asset of the Fund be pledged or in any other manner used to support another entities liabilities?

No, monies of the Fund can be never subject to any pledge, encumbrance or lien.

1.22 – Who has signature authority for withdrawal/redemptions?

Only the Administrator has the signature authority for withdrawals, redemptions and/or the transfers of funds.

1.23 – What kind of shares are issued by the Fund?

The authorized share capital of the Fund is divided into Four Hundred and Ninety Nine Thousand Nine Hundred and Ninety, (499,990) non-voting, participating redeemable shares (the “Participating Shares”) at a par value of US\$ 0.10 per Share and Ten, (10) voting, non-participating non-redeemable shares at a par value of US\$ 0.10 per Share (The “Ordinary Shares”). The Director is authorized to issue Participating Shares up to the authorized share capital of the Fund.

1.24 – Is there any restriction for subscribers of certain jurisdictions?

The Fund Shares may not be offered, sold or transferred directly or indirectly in the United States or for the benefit of any US Person.

2. Investment Strategy

2.1 – Please describe your strategy.

The fund works on the euro zone markets through index options (mainly on Dax and Eurostoxx50 indexes). The operative choices will be arranged in structured strategies in a period of about a month, which is the technical expiration date. We tend to limit at maximum the number of operations when we opened the whole strategy to maximize the yield. That does not mean that we do not invest with short-term goals of a few days or hours, but aim to cover positions that become risky.

Our investment strategy is particularly innovative. We use to open the position three four weeks before the expiration day, structuring arbitrages on volatility. The strategy earns by these arbitrages and by the time decay process every month with a low risk, because the arbitrage is covered by long positions (through long positions on futures and put options with expiration almost an year in the future).

2.2 – Please describe your investment objectives.

The principal investment objective of the Fund is to achieve capital appreciation on funds under management while actively managing the risk associated with the trading strategy of the Fund. The strategies aim to generate a monthly return of around 0,50% to 4,00% and to suffer only occasional limited losses in adverse situations.

2.3 – What is the level of Return targeted by the Euroption Strategic Fund?

20-25% per annum net of fees.

2.4 – Asset classes invested in?

The Fund will invest exclusively in derivative financial instruments, options and futures contracts, quoted in the most important Stock Exchanges; in the beginning the Fund will invest on Xetra Dax, Eurostoxx 50, and then on the English Liffe and CME.

2.5 – Time horizon for your investments?

Time horizon for investors in Euroption Strategic Fund is typically 12 months.

2.6 – Geographical focus.

Mostly Western Europe & USA.

2.7 – How long has the Investment Manager been involved in investments of the type proposed for the Euroption Strategic Fund?

The Investment Manager has more than 5 years of experience in such investment.

2.8 – What kind of information do you use to determine your investments (street, proprietary)?

Proprietary information.

2.9 – Will large amounts investment funds affect your performance ? If so, in what way?

No, the strategy and the target of returns will remain the same, at least till 100 millions of AUM.

2.10 – Maximum fund investment capacity.

Likely to close to new investments at 150 millions euro. Over this amount it is likely that a second fund would be launched.

2.11 – Have you made changes to your strategy during the years?

Yes, we made some adjustments in relation with the levels of volatility, that is the central focus of our strategies.

2.12 – Have you experienced a bear market? If so, how did this affect the type of investments proposed?

Yes, we have experienced a bear market, but the type of investments that we seek out are market neutral and are not affected by bull or bear markets. Furthermore, we experienced much better results on bear markets than in bull markets.

2.13 – What has been your maximum draw down?

We experienced our maximum loss, using this strategy, on June 2003, with a drawdown of 9,45%, but that year we close with a performance of 91,85% of net return, because of extremely high levels of volatility. In 2005 we lost less than 1% in a month, with a total return of 24,37%.

2.14 – Which is the single biggest contributing factor to your performance?

The choice of the best index options, considering Greeks parameters.

2.15 – What sort of event would cause you to modify your investment strategy?

Our approach is market independent and the type of investments that we follow continues in all market conditions and consequently there is little which would significantly alter our approach.

2.16 – Is your Fund a "Fund of Hedge Funds"?

No, our Fund must be viewed as a "single manager hedge fund" with its own unique proprietary strategy.

2.17 – Is your Fund a "multi-strategy" Fund?

No, we follow one strategy usually in conjunction with only two physical fund managers. The multiple-strategy approach used by some funds or FoFs (Fund of Funds) is usually adopted for reasons of diversification that are not required in our methodology as a result of the high returns offered by our present trading techniques. Our Fund must be viewed as a "single strategy fund".

2.18 – Is your approach more art than science?

Our approach is systematic and proven. Since our approach focuses on arbitrage positions primarily in derivatives, we simply enter a trade when we are certain of the spread. Thus, our approach is nothing more than discovering the opportunities and the application of simple mathematics.

2.19 – What is your competitive edge?

Disciplined implementation. A stable corporate culture and more than 10 years of experience in our specialist area with a particular eye for innovation.

2.20 – What are your best qualities?

Self-motivation, enthusiasm, long-standing high level experience, superior professionalism and innovation.

2.21 – In what ways are you a disciplined manager?

We focus on the process and let the numbers tell the story.

2.22 – How does your approach differ from other managers?

We apply an alternative investment strategy than that applied by virtually all other hedge fund managers. We consider our strategy unique in the hedge fund sector because we offer monthly significant results in every market condition, with the real possibility of high returns yearly.

3. Performance / Reporting

3.1 – Who calculates and verifies performance?

ITSR GmbH, Switzerland, as an independent Administrator, will calculate and verify performance on a monthly basis. ITSR GmbH is linked to ATC, one of the most important fund Administrators in the world. See also Security of the Asset for more information on ITSR GmbH, the Administrator.

3.2 – Who supplies your administrator with the prices?

Generally the Administrator will get all the relevant information about prices and investment reports from the banks where the Fund's accounts are held.

3.3 – What index is used as benchmark?

The Euroption Strategic Fund does not have any reference market index or benchmark. Furthermore, comparison with any normal industry benchmarks would be appropriate. Anyway we use to take the Eurostoxx50 index for a comparison.

3.4 – Who audits the financial statements?

Deloitte will audit financial statements on a yearly basis. Deloitte is one of the largest hedge fund Auditor in the world.

3.5 – When is the NAV / performance available and where reported?

NAV is calculated on a monthly basis and reported by the Administrator to Investors. The NAV will also be reported by the Fund on its website as soon as it becomes available. The Performances of the fund are also available on Bloomberg (EOPTION VI), Telekurs (CH2287562), Morningstar and in all the other hedge fund database, such as HedgeCo.

3.6 – What are the reports available?

The Fund edit a monthly report which will provide a update on the investment. Annual financial statements will also be delivered by the Administrator and the Auditor.

3.7 – Who will check to ensure that the investment restrictions are being applied and followed correctly?

The investment limits and restrictions are applied to all investment at the time that the investment is made. Once an allocation is made, the Investment Manager will continuously review and monitor the underlying trading manager in terms of its performance and its adherence to the terms and conditions of the signed investment contract to ensure that, in aggregate, the restrictions set out in the Memorandum are not breached. Should any restriction be inadvertently breached, the Investment Manager will ensure that immediate corrective action is taken. The Investment Manager is required to be prepared to demonstrate to the Directors, the Administrator, the Regulator (FSC British Virgin Islands) and/or the Auditor by means of a "Checklist" that the investment restrictions were satisfied for each new investment contract before it was finalized.

4. Trading Strategy

4.1 – Do you use any broker?

Yes we use ADM Securities in London as our broker.

4.2 – How often are orders reviewed and positions reconciled?

The trading managers monitoring the position every second taking any appropriate action in regards to positions necessarily. The positions are reconciled everyday by ADM Securities, the broker, who informs the administrator daily with a statement. The Administrator will review the positions on a monthly basis and institute a reconciliation if necessary.

4.3 – Total short, derivatives, borrows, etc.

Yes we have short positions on derivatives, borrowings are not allowed.

4.4 – Do you maintain a minimum level of cash?

Yes, our investment strategy is such that Euroption Strategic Fund has a permanent cash level of more than 50% of its total asset. This means that the fund always keeps its asset half in liquidity.

4.5 – How do you handle profits realized?

The realized profits are simply reflected in the Nav per shares, increasing its value.

The Fund does not distribute any kind of fixed return or dividends, because the results of the Fund are solely reflected in the value development of the NAV per share

4.6 – Do you trade in emerging markets?

No. Euroption Strategic Fund does not trade in any emerging markets.

4.7 – Which banks does Euroption Strategic Fund use for its investment accounts?

Credit Suisse in Zurich

5. Macro Economic Environment

5.1 – What effect does rising (falling) interest rates have on your fund?

Negligible impact, if any.

5.2 – What is the effect of a rising (falling/crashing) stock market to your fund?

Negligible impact if any.

5.3 – What is the effect of rising (falling) stock market and interest rate volatility to your fund?

In a situation of rising volatility the Fund will achieve stronger results; on the other hand, if the volatility decrease the Fund will achieve lower results.

5.4 – Do you expect to make money in a bear market?

Yes, we do expect to make more profits in a bear market condition.

5.5 – What are the currency exposures and effects to your fund?

Our investments are usually in euro and that is the base currency of the fund. Should trades be conducted in currencies other than Euro, (i.e. US Dollar), the fund will immediately revert to Euro and since both sides of the trades are completed back to back, the net exposure to exchange rate risks is negligible.

6. Risk Management

6.1 – Describe your decision-making process in building your portfolio.

The key analysis of risk control is the level of capital utilization. In other words, every initial trading strategy is opened utilizing up to 30% of the full assets of the fund. The remaining part of the assets are kept in liquidity to be used if the markets conditions change and a modification in the strategy has to be made.

The main risk control analysis is made utilizing many types of software (also the software distributed by the various Stock Exchanges, for example the margin calculator by Eurex); the level of the asset utilization is central and every position is being monitored every minute.

The asset are utilized at a level of 30% at the beginning of the period and can reach a maximum level of 65% in the worst conditions. At those levels of margin requirements, the strategy has to be changed with a stop loss situation.

6.2 – Extent of non-liquid assets as a % of the total portfolio

None.

6.3 – What is the maximum, minimum and average historical leverage?

Leverage is not allowed. The only leverage used is implied on characteristics of the derivatives financial instruments.

6.4 – What are the biggest risk factors which might affect the positive performance of your fund?

The biggest risk factors which could affect the positive performance of Euroption Strategic Fund would be from exceptional international events such as a nuclear war or other major natural disasters. However, a big fall of the stock markets will create a new scenario of high volatility situation, where the Fund can find its better condition.

6.5 – What do you do when there is no investment opportunity in the market which fits your strategy?

If there is no investment opportunity in the market which fits, we simply wait for the best next opportunity. This condition is valid mostly during the selection phase of the underlying managers and thus, generally, no investment is done during such periods.