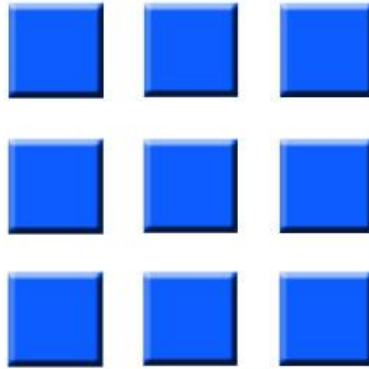


# Due Diligence Questionnaire



# ALPHEA FUND

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## MANAGER INFORMATION

### CONTACT INFORMATION

Company Name:	Tavira Monaco SAM
Address:	Le Montaigne 6 Bd des Moulins MC 98000 Monaco
Telephone:	+ 377 93 25 18 00
Fax:	+377 93 25 15 06
E-mail:	<a href="mailto:contact@taviramonaco.com">contact@taviramonaco.com</a>
Name of contacts:	Patrick Fietje
Title of contacts:	Investor Relations
Telephone of contacts :	+44 207 108 1164
E-mail of contacts:	<a href="mailto:Patrick@Alpheafund.com">Patrick@Alpheafund.com</a>

### COMPANY

Please give a brief history of the firm:	<ul style="list-style-type: none"> <li>Tavira Monaco SAM is a regulated investment manger established in August 2010 and a subsidiary of Tavira Securites Ltd, a London based and FSA regulated securities service group that has been in existence for over 7 years.</li> <li>Tavira Monaco SAM administers the day to day activites of the Alpheia Fund.</li> <li>Alpheia's main activity is to feed into and manage the Systematic Trading Master Fund SPC Ltd ("STF"), a BVI listed open ended managed futures fund that has generated 18% annual returns since December, 2007. The fund achieves aggressive capital preservation with uncorrelated market returns by employing a proprietary systematic trend following strategy. The investment team consisting of Daniele Scribano, Igor Rebesco and Patrick Fietje has over 45 years combined expertise in the development and implementation of systematic trading strategies with several model software trademarks to their name.</li> </ul>
Legal entity:	SAM
Domicile:	Montecarlo – Monaco
Branch offices or other locations, if any. What functions are performed at these branches and locations?	None
Which regulatory authority is the company registered with?	Authorised and Regulated by La Commission de Controle des Activites Financieres
<ul style="list-style-type: none"> <li>Type (class):</li> </ul>	Securites & Asset Mgmt Operations
<ul style="list-style-type: none"> <li>Date of registration:</li> </ul>	Asset Mgmt Operations 17th September, 2010 Registration Number : n°SAF/2009-04 / MOD1
<ul style="list-style-type: none"> <li>Are all the employees regulated with the same authority?</li> </ul>	Yes
List any affiliations, directorships and memberships of the company and/or it's principals:	Gary Caldon is the CFO of Tavira Securites Ltd London
Have the licences of the company or any of its principals or managers ever been suspended/cancelled/revoked by the regulatory authorities? If so, why?	Never
Has any disciplinary action ever been taken against the company or its principals or managers by any regulatory authorities?	Never

Has any application for authorisation made to any regulatory authority been turned down?	Never
List: a) total Assets under Management for all funds/portfolios managed/advised by the company, b) names and sizes of the funds managed/advised, c) names of entities for which portfolios are being managed and the size of each such portfolio:	A) Total Assets Under Management: EU 25 mil. B) Systematic Trading Fund (AUM EU 25 mil);
List your oldest continuously active account:	Oldest continuously active account: December 2007
List your largest current account:	N/A
What is the length of your track record?	42 months
Has the complete track record been audited?	Yes
<b>COMPLIANCE</b>	
Who is responsible for compliance in the firm?	Scott Goodfellow
Please describe any current or potential conflict of interest:	None
Does the firm or advisor have any relationship which may affect its trading flexibility, e.g. associated broker/dealer?	The asset manager Tavira Monaco SAM is a subsidiary of Tavira Securites Ltd a security group that also acts as an agency broker. However, there are no potential conflicts of interest, limitations to best execution or trading flexibility as Morgan Stanley London has been chosen as prime broker with Morgan Stanley Zurich acting as custodian.
Is the firm physically located in a brokerage house? If so, please describe arrangement.	No
Please list your accountant and attorney of the company:	Accountant: KPMG N.V. Attorney: Maples & Calder
Are there any material, criminal, civil or administrative proceedings pending or threatened against the firm or any of its principals, or have there ever been any such matters? If yes, please provide full details:	None
What are the firm's employee own account dealing procedures?	All personal accounts   transactions prior to execution must be approved by compliance and signed by Scott Goodfellow..
Do any of the firm's principals have other business involvement?	None, other than the activity above described
<ul style="list-style-type: none"> <li>If yes, describe and quantify how much of their professional time is dedicated to each?</li> </ul>	N/A
<ul style="list-style-type: none"> <li>Describe how much of the time is dedicated to the business of the manager/advisor?</li> </ul>	100%
<b>MANAGER ORGANISATION</b>	
How large is the firm in terms of full time individuals?	Alphea Capital SPC consists of 4 full-time personnel: Managing Director/Fund Managers 2 Fund Director 1 Investor Relations 1
Describe the firm's ownership structure, name of its owners, their percentage ownership, and their role within the firm?	The Management Company is a Monaco based asset management company with 100% ownership of Alphea Fund SPC.
Percentage ownership of firm principals?	33% Igor Rebesco, 33% Daniele Scribano, 33% A ndrea di Vid

<p>Short background of Fund principals (education, career background, etc.). Please, attach information if necessary</p>	<p><b>Igor Rebesco; Fund Manager</b>  graduated with a PhD in Economics from the S. Anna School of Advanced Studies, Pisa where he was a Visiting Lecturer for Economics and Finance from 2002-2003. In addition, he has a Masters in Quantitative Finance from the Venice International University. He previously worked for Intesa-BCI Bank (Suisse) where he was in charge of asset allocation and risk management for Alternative Investments (Hedge Funds and Structural Notes), and in a hedge fund where he was running the quant desk dedicated to the development and implementation of systematic strategies.</p> <p><b>Daniele Scribano; Fund Manager</b>  graduated from the University of Pisa in Economics. Subsequently, he attended a two-year course qualifying him as a Financial Analyst by Associazione Italiana Analisti Finanziari (AIAF). Prior to joining the fund he worked as an independent trader primarily modeling and trading a trend-following system for a hedge fund, where he headed up a quant desk dedicated to the development and implementation of systematic strategies..</p> <p><b>Andrea Badò; Fund Director/Risk Management</b>  graduated with a BA degree from "La Sapienza" University of Rome, qualifying as a registered auditor. His previous experience includes five years as a European equity banking analyst and equity derivative specialist salesman at IMI-S.Paolo London based banking group. He then moved to Milan where he spent five years as the head of European equity derivatives at Intesa-BCI and Monte dei Paschi di Siena banking group. In addition, he worked for a macro hedge fund as a global equity derivative portfolio manager.</p> <p><b>Patrick Fietje; Fund Director/COO&amp;Investor Relations</b>  graduated from London School of Economics and IESE Business School. Patrick was employed as a cash equity/proprietary trader at Goldman Sachs in the industrial sector, where he quickly established himself as a senior trader with strong ties to his hedge fund clients. In 2004 he joined Lehman Brothers International, first as a senior financials trader, then head of banks trading where he further expanded his knowledge of electronic trading and derivatives. Patrick joined Euronova Capital Partners in 2007 as a founding partner of its new large cap fund which in March of 2008 was spun out to form CGP Capital Partners, a European equity large-cap long/short fund.</p>
<p>How many investment professionals (portfolios managers, analysts, etc) in the firm?</p>	<p>The firm comprises 3 full-time investment personnel (Risk Manager 1, Portfolio Manager/Trader 2)</p>
<p>What are the average years of professional experience in the firm, both years as a professional as well as years in the firm?</p>	<p>Average professional experience for the team is approximately 15 years. All investment personnel have been with the firm since inception.</p>
<p>How many temporary/part time staff do you employ?</p>	<p>None, all employees hired on a full-time basis</p>
<p>Please provide the names of senior managers in charge of the following areas:</p>	
<ul style="list-style-type: none"> <li>• Trading:</li> </ul>	<p>Daniele Scribano, Igor Rebesco</p>
<ul style="list-style-type: none"> <li>• Reporting, performance analysis:</li> </ul>	<p>Andrea Badò</p>
<ul style="list-style-type: none"> <li>• Research and development:</li> </ul>	<p>Pierpaolo Uberti</p>
<ul style="list-style-type: none"> <li>• IT/Programming:</li> </ul>	<p>Igor Rebesco</p>
<ul style="list-style-type: none"> <li>• Administration:</li> </ul>	<p>Patrick Fietje,</p>
<ul style="list-style-type: none"> <li>• Marketing and business development:</li> </ul>	<p>Andrea Badò, Patrick Fietje</p>
<ul style="list-style-type: none"> <li>• Others (please specify):</li> </ul>	<p>Patrick Fietje - Operations</p>
<p>What has been the turnover rate among the firm's personnel?</p>	<p>zero.</p>
<p>Have any key personnel left over the last three years? If so, how has the situation been managed? Please also give the reasons and circumstances of departure.</p>	<p>None.</p>
<p>Where do the primary trading, research, and portfolio management activities take place?</p>	<p>Monte Carlo/Lugano</p>
<p>Who audits the account of the manager/advisor?</p>	<p>Fund auditors: KPMG N.V.</p>

Where are the accounts maintained?	Systematic Trading Fund owns: i) execution/clearing account with Morgan Stanley & Co. International Plc London UK; ii) a depository account with Bank Morgan Stanley AG Zurich CH; iii) an execution account held with Tavira Securities Ltd London UK at ABN AMRO Clearing N.V.
Are outside representatives or consultants used for any activities? If so, give details.	None
Are the assets and current and future revenue flow sufficient to allow the manager/advisor to continue operations in a manner consistent with the best interests of the Fund?	Yes
<b>MANAGER REFERENCES</b>	
Please provide at least two references for the firm and for each of the principals involved in the management of the fund? • Name:	Andrea De Vido
• Profession:	Entrepreneur
• Company:	Finanziaria Internazionale SGR S.p.A.
• Title:	President
• Telephone:	+39 0438 360 403
• Fax:	+39 0438 22547
• E-mail:	<a href="mailto:a_de_vido@finint.it">a_de_vido@finint.it</a>
Current and past relationship with the firm or its principal:	Mr. De Vido is currently one of the biggest investors of the fund
Please provide at least two references for the firm and for each of the principals involved in the management of the fund? • Name:	Marco Luca Barzaghi
• Profession:	Head of Asset Management
• Company:	Banca Credinvest SA
• Telephone:	+41 0919100281
• Fax:	+41 0919100289
• E-mail:	<a href="mailto:m.barzaghi@credinvest.ch">m.barzaghi@credinvest.ch</a>
Current and past relationship with the firm or its principal:	Mr Barzaghi previously employed Mr Scribano and Mr Rebesco
<b>FUND INFORMATION</b>	
<b>FUND DETAILS</b>	
Contact details: • Name of key contacts:	Monique Cova at CTS Management Ltd.
• Address:	Rodus Building, 4 <sup>th</sup> floor P.O. Box 4064 Road Town, Tortola British Virgin Islands VG 1110
• Telephone:	+1 284 4947298
• Fax:	+1 284 4947299
• E-mail:	<a href="mailto:mcova@circlepartners.com">mcova@circlepartners.com</a>
• Website address:	<a href="http://www.circlepartners.com">www.circlepartners.com</a>
• Fund structure:	British Virgin Island SPC (Segregated Portfolio Company) Limited
• Fund name:	Systematic Trading Fund SPC Ltd
• Domicile:	British Virgin Island
Date of inception:	August 1 <sup>st</sup> 2008
Is the fund listed on any exchange(s)?	No
Is there a plan to list the fund on any exchange?	No
<b>FEES</b>	

Management fee:	2% Annual
Administration fee:	No separate administration fee
Incentive fee:	20% Annual
Hurdle rate / High water mark:	Absolute high water mark
Subscription fee:	None
Redemption fee:	None
Penalty fee for early redemption? Please give details	None
Auditor's fee:	EUR 11,000 per year
Any other fees:	Licensing, legal and miscellaneous (less than USD 10,000 per annum)
What costs, if any, are recharged to the fund?	Fund's operating expenses will be charged to the Fund, including the fees paid to the Investment Manager and to the Fund's administrator, fees paid to any member of the Fund's board of directors' (the "Directors"), legal, auditing, accounting (including out-sourced accounting) and other professional and administration expenses and investment expenses such as commissions, interest on margin accounts and other indebtedness, custodial fees, bank service fees, other reasonable expenses related to the purchase, sale or transmittal of the Fund's assets and/or shares
What is your level of portfolio turnover?	Monthly portfolio turnover is 50-100 times STF AUM
What is the typical brokerage fee to equity ratio?	0.2%-0.3% per month
What are total fees and costs (excluding manager's fees) as % of total asset?	On yearly basis: Administration fees: 0.14% Brokerage fees: 3.6% (projected worst case scenario) Audit fees: given that it is a fixed cost (EUR 11,000 p.a.) it becomes negligible as AUM increase Other fees (e.g. legal) are not ordinary so difficult to estimate
Are your fees calculated and charged in terms of equalisation structure by:	
• issuing a different series of shares every time shareholders subscribe?	No
• the Equalisation Share method?	No
• the Equalisation and Depreciation Deposit method?	No
• the Equalisation-Adjustment method?	No
• Others:	N/A
Do you ever share fees with a third party?	No
Do you have any special arrangements or side-letters (fee or otherwise) with any investors (MFN clauses, etc.)?	No
Have any investors been granted rebates?	Yes. The Investment Manager pays up to 50% of the management fee to investor as rebate
Disclose any soft dollar agreements	None
<b>LIQUIDITY</b>	
Minimum initial investment:	USD 100,000 or EUR 100,000
Minimum subsequent investment:	USD 25,000 or EUR 25,000
Subscription frequency (when):	Monthly
Subscription notice period:	5 business days before the Dealing Day of each month. The Dealing Day is the first business day of each month
Redemption frequency (when):	Monthly
Redemption notice period:	15 calendar days before the redemption date (cut-off date). The redemption date corresponds to Dealing Day of each month
Redemption cash proceeds time period:	The proceeds are paid within 20 business days after the calculation of NAV
Do you have any lock-up period or any other liquidity constraints?	No
Do you allow for transfer of shares between nominees?	Yes
<b>ADMINISTRATOR</b>	

<b>Details:</b>	
• Name:	Circle Investment Support Services B.V.
• Address:	Utrechtseweg 31D 3811 NA Amersfoort The Netherlands
• Telephone:	+31 (0) 33 467 3880
• Fax:	+31 (0) 33 467 3890
• E-mail:	<a href="mailto:Info@circlepartners.com">Info@circlepartners.com</a>
• Name of Contact:	Roger Steenberg, Mark Meyer
• Telephone of contact:	+31 (0)33 467 3880
• E-mail of contact:	<a href="mailto:RSteenbergen@circlepartners.com">RSteenbergen@circlepartners.com</a> , <a href="mailto:mmeyer@circlepartners.com">mmeyer@circlepartners.com</a>
Duration of your professional relationship?	Initiated 2004
<b>AUDITOR</b>	
<b>Details:</b>	
• Name:	KPMG Accountants N.V.
• Address:	Burg. Rijnderslaan 10-20 1185 MC Amstelveen The Netherlands
• Telephone:	+31 (0)20 656 7890
• Fax:	+31 (0)20 656 7700
• Name of Contact:	Remco Beers
• Telephone of Contact:	+31 (0)20 656 8731
• E-mail of Contact:	<a href="mailto:beers.remco@kpmg.nl">beers.remco@kpmg.nl</a>
Duration of your professional relationship?	Initiated 2008
Have the accounts of the Fund ever been qualified or have any other material concerns ever been raised by the Auditors?	No
<b>CUSTODIAN</b>	
<b>Details:</b>	
• Name:	Tavira Securities Ltd.
• Address:	5 Aldemanbury Square London, EC2V /HR United Kingdom
• Telephone:	+44 203 296 8000
• Fax:	+44 203 296 8920
• E-mail:	<a href="mailto:operations@tavirasecurities.com">operations@tavirasecurities.com</a>
• Name of Contact:	Alison Stott
• Telephone of Contact:	+44 207 100 5106
• E-mail of Contact:	<a href="mailto:alison.stott@tavirasecurities.com">alison.stott@tavirasecurities.com</a>
Duration of your professional relationship?	November 2007: managed account opening date
<b>LEGAL ADVISER</b>	
<b>Details:</b>	
• Name:	Maples and Calder
• Address:	Sea Meadow House P.O. Box 173 Road Town, Tortola British Virgin Island
• Telephone:	+1 284 852 3000
• Fax:	+1 284 852 3097
• E-mail:	<a href="mailto:bviinfo@maplesandcalder.com">bviinfo@maplesandcalder.com</a>
• Name of Contact:	Kieran Walsh
• Telephone of Contact:	+1 284 852 3015
• E-mail of Contact:	<a href="mailto:Kieran.Walsh@maplesandcalder.com">Kieran.Walsh@maplesandcalder.com</a>
Duration of your professional relationship?	Initiated 2008



<b>BANKS AND PRIME BROKER</b>	
Please list the banks used by the fund:	
• Name:	Tavira Securities Limited
• Address:	5 Aldemanbury Square London, EC2V 7HR United Kingdom
• Telephone:	+44 203 296 8000
• Fax:	+44 203 296 8920
• E-mail:	<a href="mailto:operations@tavirasecurities.com">operations@tavirasecurities.com</a>
• Name of Contact:	Gary Caldon
• Telephone of Contact:	+44 207 100 5106
• E-mail of Contact:	<a href="mailto:gary.caldon@tavirasecurities.com">gary.caldon@tavirasecurities.com</a>
Please list the prime brokers used by the fund, as well as the duration of your professional relationship:	
• Name:	Tavira Securities Limited (professional relationship initiated in 2008)
• Address:	5 Aldemanbury Square London, EC2V 7HR United Kingdom
• Telephone:	+44 207 100 5100
• Fax:	+44 207 100 5101
• E-mail:	<a href="mailto:operations@tavirasecurities.com">operations@tavirasecurities.com</a>
• Name of Contact:	Gary Caldon
• Telephone of Contact:	+44 207 100 5106
• E-mail of Contact:	<a href="mailto:gary.caldon@tavirasecurities.com">gary.caldon@tavirasecurities.com</a>
Do the prime brokers keep the funds' investments in a segregated account belonging to the fund?	No
Are you considering changing any of your service providers or have you considered making such a change in the past? If so, please give reasons.	We're signing a brokerage services and a custody agreement with Morgan Stanley & Co. International plc – London and Bank Morgan Stanley AG – Zurich respectively (Related evidences and references will follow). Rationale here is to segregate Fund's high free cash level in excess of marginations and financing purposes from trading account held with execution brokers, and improve fund's money market management, as well as strengthening its business risk profile and market visibility.
Please indicate if we are authorised to contact all the above parties in relation to our initial and ongoing due diligence.	Yes
<b>DIRECTORS OF FUND</b>	
Please list the number of directors, their names and the degree of relationship with manager and service providers?	CTS Management Ltd (Corporate Director) Andrea Badò – Blue Capital SA Director
Duration of your professional relationship?	10 years
<b>DATA OVERVIEW</b>	
<b>FUND ASSETS</b>	
Please list the size of assets by investment vehicle:	€25 mil at Systematic Trading Fund Levered Segregated Portfolio
Please list the size of the fund's net assets:	€25 mil
List the total assets under management, and their respective changes over the last year:	€25 mil (vs €4 mil in August 2010)
What percentage of assets is represented by the single largest, three largest and five largest investors? Please indicate the investor type for these investors.	35% of assets are provided by qualified shareholder; 47% from high net worth individuals; 18% from institutional investors
Please provide table of number of investors within each investment band of US\$250,000 e.g. 0-250K, 250K-500K and so on	0-1mio 12; 1-2mio 6.
Please provide table of US\$ investment and number of investors by investor type (Institutions, Fund of Funds, Promoters/Principals, Individuals,	Institutions:2 FoF: 0 Individuals:16

Family Offices, etc.)	
Have any investors given any indications of an impending redemption or expressed any concerns with regard to performance, strategy, running of the fund, etc.? If so, please give details.	No
<b>CAPACITY MANAGEMENT</b>	
What is the maximum capacity of your fund?	The hard close is determined in EUR 300 mio
What is the projected time frame to reach capacity?	Managers estimate to reach the capacity within 5 years from inception
Will new money be accepted after capacity is reached?	Managers will increase the capacity when new trading systems will be developed and successfully tested. The increase will be equal to the capacity of the new models.
How will front / back-office operations be affected in the event of significant increase in assets under management, and what measures will be taken?	The model signals best timing to invest new subscription no matter what the amount is (provided that it does not exceed the capacity). No relevant impact for back-office.
<b>WITHDRAWALS</b>	
What were the largest withdrawals in your fund since inception?	EUR 150,000
• Date:	31/5/2009
• % of equity:	6.5
• Reasons:	The investor was a FoF which liquidated its entire portfolio
Please provide a complete list of withdrawals to date including date and size	See above
<b>MANAGEMENT TEAM'S CO-INVESTMENT</b>	
What is the total amount invested by the principals / management in the fund and other investment vehicles managed <i>pari passu</i> with the fund?	The seed money of the Fund is entirely provided by the qualified shareholder of the Asset Management Company: Finanziaria Internazionale. Fund principals have committed 10% of their personal estate to the Fund
Has the management reduced its personal investment?	No
Disclose conditions of subscription/redemptions of team and owners' assets.	The seed money is subject to terms and fees applied to all other investor
How such subscriptions and withdrawals been notified to investors in a prompt manner?	Subscriptions and redemptions of the team and owners' asset will be notify to investors through the DDQ or the newsletter (or both) if their amount is a significant percentage of the total asset under management: that percentage is 10% or greater
<b>FUND PERFORMANCE</b>	
Historical performance since inception:	
• Monthly NAV's since inception (in table format):	Please contact the Administrator
• Monthly RoR since inception:	Please refer to the last monthly newsletter

<p>Please explain any major factors affecting performance and drawdowns (i.e. a manager change, a change in strategy, etc):</p>	<p>The model profits from market acceleration phases and loses when the market trades in ranges. Market volatility is the key ingredient for performance with a vix between 20-50 indicating an ideal range. The model performs better in a high volatility or rising volatility environments and worse (even if positive) in declining or low volatility periods (VIX sub 10). However, performance tends to be more stable in the latter environment and swinging in the former. Model deploys its trading strategy over two time frame whose behaviour contributes to strengthen its efficiency. Typically in low volatility environment trends exhibit slower and time-extended dynamics. In this environment daily time frame results to be the best performer versus the hourly one. The contrary is true for the high volatility environment where trend evolutions are quicker and more pronounced with strong directionality. In 2008, due to the extreme levels of volatility, performance reflected a unique occurrence where the daily signals unexpectedly resulted in stronger returns while hourly signals yielded a much smaller share of total performance. This coupled with the higher leverage used in 2008 vs the optimal 3.5X required by model's notional base strategy explains the volatility of returns in 2008.</p>
<p>Is the fund performance audited? If yes how often?</p>	<p>Fund performance was audited annually since inception. The track record generated previously as a segregated account was also audited and is available on request.</p>
<p><b>DRAWDOWNS</b></p>	
<p>List the 5 maximum drawdowns, in percent of equity for each fund, the recovery period, and explain why they have happened:</p>	<p>The worst drawdown of -14.14% recorded in December 2008 was due to 1) the small amount of AUM required a higher leverage for optimal returns and 2) the extreme volatility levels experienced by equity markets during that time (vix ranging from 30 - 150). Losses actually originated from the equity asset class where a sudden and steep decline in volatility from historical peak levels was the main factor (i.e VIX index decreased from about 90 to 40 in a couple of weeks). This was translated in a market trading range (the worst market phase for the strategy) with a strong bounce back that resulted in losses. Its time-to-recovery was 250 working days, which was exacerbated by the fund's leverage being reduced to an optimal level of 3,5 times from 7X . 2008 other losses (recorded in February, May and September) can be explained along the same lines.</p>
<p>Over the past 12 months, how many daily drawdowns greater than 5% have occurred, and what was the length of recovery?</p>	<p>None</p>
<p><b>MANAGER TRACK RECORD</b></p>	
<p>Number of portfolios / accounts managed by the firm:</p>	
<p>Number of funds managed / advised by the firm:</p>	<p>The Manager runs one fund only</p>
<p>Names of these funds:</p>	<p>Systematic Trading Fund SPC Ltd</p>
<p>Total assets managed / advised by the firm:</p>	<p>EU 25 mil as of August 2011</p>
<p>Oldest continuously active account:</p>	<p>The account managed by Blue Capital SA since December 2007</p>
<p>Largest current account:</p>	<p>EU 6 mil</p>
<p>Length of track record:</p>	<p>Since December 2007</p>
<p>Has the track record been audited:</p>	<p>Managed account from Dec 2007 to Jul 2008. For the fund first audit Dec 2009</p>
<p>Average annual commission costs as a percentage of total assets:</p>	
<ul style="list-style-type: none"> <li>• Brokerage to equity ratio</li> </ul>	<p>Estimated approx 0.2%-0.3% on average (0.457% is the historical peak)</p>
<ul style="list-style-type: none"> <li>• Administrator/Custodian fee to equity ratio</li> </ul>	<p>14bps with a minimum EUR 30,000</p>
<ul style="list-style-type: none"> <li>• Auditors' fee to equity ratio</li> </ul>	<p>Estimated approx EUR 11,000</p>
<p><b>STRATEGY</b></p>	
<p>How do you characterise your basic trading approach (in percentage):</p>	
<ul style="list-style-type: none"> <li>• Discretionary</li> </ul>	<p>0%</p>
<ul style="list-style-type: none"> <li>• Systematic</li> </ul>	<p>100% coded in a software (TSTf soft™) owned by Blue Capital SA</p>
<ul style="list-style-type: none"> <li>• Other (please explain)</li> </ul>	<p>0%</p>
<p>How do you characterise your main decision-making input (in percentage)?</p>	

• Fundamental	0%
• Technical	100%
• Other (please explain)	0%
How do you characterise your trading methodology (in percentage)?	
• Trend Following:	
1. Regression Analysis	
2. Moving Average	20%
3. Breakout System	40% in conjunction with 4
4. Pattern Recognition	40% in conjunction with 3
5. Oscillators	
6. Other (please explain)	2 proprietary indicators: 60% dynamic stop and resistance levels + 20% trend strength indicator
• Cyclical	
• Countertrend	
• Special Situation	
• Arbitrage	
• Market Neutral	
• Other (please explain)	The pattern recognition algorithm is responsible for efficiently filtering trade signals generated by indicators in order to minimize draw-downs.
Characterise your investment style in terms of:	
• Strategy:	The investment process is completely systematic and exploits a <b>trend follower</b> approach capturing <b>trend acceleration</b> whose conditions are signalled by a proprietary pattern recognition algorithm
• Hedging:	The Manager will cover currency risk exposure converting the realized P&L generated in a non-euro currency. The conversion is made when the amount to be converted is higher than 5% of fund AUM expressed in the reference currency EUR.
• Market exposure:	Base Class can achieve 300% of AUM net exposure. Levered Class is within a 1.5x-to-3x range.
• Geographical market focus:	The Fund mainly trades European and American listed financial futures
List the instrument types you use by percentage:	100% of fund portfolio is made up of listed and most liquid financial futures. For a complete list please refer to fund's presentation.

Describe your strategy (in as much detail as possible):

Liquid Markets tend to exhibit both trading range phases (where prices meander inside a tight channel) and ranging ones (where prices break out of the channel to the up or downside and maintain direction for several trading days). As a result the market trends can be broken down into "fractal" dimensions with phase alternations on various scales (i.e. hourly, daily, weekly, as well as constant volume bars, etc. time series that we call time frames). Frequently a trading range in a time frame implies trend presence at a "lower" time frame: e.g. a channel in a daily chart entails embedded trends on an hourly time frame level. On the other hand, a trend on a longer time frame may embed swing dynamics in a shorter level time frame. To give an example: an hourly time series can exhibit oscillations around the trend components of the daily time series. We define that market behavior market structural features (MSF): this caused us to capture a value exploiting a trend following approach rather than a trading range one because the former is easier to model out. The tricky point is how to distinguish between the two phases, actually it is a quite difficult task that can generate false signals and draw-downs. We have detected a (local) pattern in the time series able to cope with this issue (even though it is not perfect ) and designed an algorithm able to recognize that pattern. In a nutshell, that pattern captures a deceleration in market movements (deceleration phase) that usually predicts quite well a sudden price action in a persistent direction (acceleration phase). During deceleration phases the markets tend to meander without showing a marked direction. The pattern is also responsible for increasing trading size: when the acceleration do not follow a pattern completion and another pattern takes shape the size of the open position will be doubled. That is the maximum possible exposure and is computed in order to control the risk of the contract together with the portfolio drawdown. Actually, those constitute the framework for the Fund Money Management Rule (MMR).

Our model tries to capture trends – in a specific time frame – arising from a channel break-out (once the deceleration phase is completed) and tend to persist (with high slope) as time passes. In other words profits should stem from sudden trends featured by few and small retracements. We are less able to add value (and sometimes we experience losses) when markets exhibit trends with little slope because prices, in those cases, tend to swing inside a channel with positive or negative small tilts and when prices fluctuate inside an horizontal channel (sideway) because we go long on the upper bound of the channel and short on the lower bound (resulting into false break-outs). That is the reason why we cross at least two time frames: because of MSF has a range with a little slant (e.g. in an hourly chart), usually translate into a persistent trend with a remarkable angle of dip in a higher time frame (e.g. half-day or daily charts). The contrary is true for the sideway phases because a trading range on a daily chart usually contains profitable trends on a lower scale. Time frames are one important source of diversification (Time Diversification): we are currently using hourly and daily time frames (Term Structure).

Putting what we've mentioned above into practice we designed – along a pattern recognition algorithm that triggers the trading activity and the double-sized open positions – two proprietary indicators that coupled with a simple moving average and MACD (benchmark indicators) and through a proprietary algorithm give trading signals (long, short or temporarily flat). The former group of indicators includes:

- a. Dynamic Support and Resistance levels (DSR) providing the entry and exit points. If a resistance level is breached from below a long signal is generated together with trailing stops levels that change with time and volatility. Those levels are stop and reverse as soon as they are lower than the entry point and becomes stop only if the level becomes higher than the entry price. The contrary is true for the short signals. Not necessarily all level breaches generates trading signals, but they are filtered using the moving average and the MACD that can countermand the long/short signal generating a flat indication.
- b. Trend Strength Indicator (TS) measures the persistence of the trend: for the kind of trends that our strategy is designed to capture the indicator increases very quickly (both for up-trends and down-trends) and once achieved critical values (determined by an internal statistical analysis) open positions are halved because there is a high high probability that the trend abruptly reverses its direction. A high critical level reading of this indicator, results in open positions being closed as it suggests that the trend has touched a local maximum (or minimum).

	<p>This approach allows capturing the greatest portion of a trend if (indicator) parameters are correctly fine tuned. We do not use traditional optimizing algorithms to get parameters (search greed, genetic algorithms, etc.) <i>tout court</i> because they are prone to the over-fitting drawback.</p> <p>We have three sets of parameters: <b>indicator</b>, <b>profit</b> and <b>pattern</b> parameters. Those parameters are not optimized because we have an <i>a priori</i> set of them (Structural Parameters Set) determined through simulations on each contract of the largest possible Investment Universe and for each time frame of the largest possible Term Structure (Investment Basin). The requirement is that each element of the Investment Basin yields an equity curve that grows as steady as possible. We have concluded that:</p> <ol style="list-style-type: none"> <li>1) The set of the Investment Basin elements that does not yield a stable growing equity curve using the Structural Parameters Set is negligible</li> <li>2) We have managed to captured the fractal structure of the Investment Universe over the Term Structure in a convincing manner</li> <li>3) The risk of overfitting is minimum</li> </ol> <p>Consequently any new contract might join the universe if and only if is listed, liquid and yield a stable growth equity curve with the Structural Parameters Set</p>
Describe the development of your trading methodology. Please include all material modifications made to the methodology over the period of the performance record	The strategy is the result of early testing by Mr. Scribano using his own personal money. The model at that time was neither diversified (concentrated on few equity markets only) and nor fine tuned (in terms of parameters). Subsequently the strategy was tested on many different markets and refined extensively using parameter settings, money management rules and portfolio construction
If you operate different programmes, are they managed by "Independent account control" or are positions aggregated for Speculative Position Limit purpose? Do all the programmes use the same trading methodology? If not, please explain.	For the time being only a single strategy is being deployed .
What are the strengths and weakness of your company's trading methodology	The methodology is statistically <b>robust</b> meaning that it works for a very wide variety of markets and over a large set of time frames under the same Structural Parameter Set. Weakness are: <ol style="list-style-type: none"> <li>1) Accumulation of losses during extended market sideways phases</li> <li>2) In order to minimize draw-downs the strategy require a market to show patterns i.e. a deceleration phase. This prevents the strategy from capturing a sequence of never-interrupted trends or long trends with frequent retracements</li> </ol>
What makes your strategy unique?	The speed in capturing sudden market movement (both directions) and in reversing an adverse position (wrong side) thus monetizing the main part of market acceleration. The approach is proven to be statistically robust
What makes your strategy different from your peers?	Unfortunately we do not know methodologies exploited by our peers and therefore it is very difficult to correctly assess our edge. However the slightly negative (or lack of) correlation with various managed futures indexes suggest us that we are sufficiently differentiated.
Why do you feel you will generate absolute returns?	Because markets exhibit trends and broadly speaking MSF and will continue to do that alternating acceleration and deceleration phases. The model is able to extract alpha from those features
What is your average holding period for:	
• All investments	6 to 8 candlesticks (or bars)
• Profitable investments	10 to 15 candlesticks (or bars)
• Losing investments	4 candlesticks (or bars)
Does the strategy have a long or short bias?	The strategy has a short bias on Equity. No bias on commodity

What investment criteria must new markets meet?	If a contract is sufficiently liquid to allow the intra-day trading we back-test it using the Structural Parameters Set. Given that we use daily and hourly time series we use the time frame from 1998 until present as a sample time horizon. This period allows for efficient back-testing as markets during this time frame included rising and falling markets and both high and low volatility. The contract must exhibit a steady growing equity curve on both time frames of the Term Structure
How do you invest new capital into the market?	We increase proportionally the open positions at the end of month (because the fund has monthly liquidity) and we recalculate the number of lots we trade according to the money management rules
How do you deal with redemptions?	Capital outflows are managed in a mirror-like manner for capital inflows
Have the strategy or trading processes changed over time due to capital flows?	No. What might change is the Investment Universe. With capital inflows new contracts are allowed to enter into the universe. The reverse is true for capital outflows with a LIFO criterium. Capital inflows during 2009 caused a decreased in gross portfolio leverage in order to yield a more attractive track-record
Have you encountered position limit problems? If yes, please explain.	No
Please describe your three worst performing investments/strategies/trades, the reasons for the same and how you managed the position in light of the losses	In 2009 the fund suffered considerable losses from an asset class: bond indicies (Bobl, Bund, T-Notes and T-Bond) accounting for about 40% of the annual fund performance. That situation was caused by an abnormal sideways phase probably due to the offsetting effect of two forces: central banks policy to maintain low interest rates and a speculative pressure against it. This involved an abrupt change in the bond equity curve growth: the management decided to suspend trading in bonds until a full recovery of the asset class could be seen.  In 12 January 2010 we lost more than 7% on corn (on hourly time frame) because we were not able to execute a stop & reverse order due to the achievement of the daily limit move of the contract (around 5% loss). When the market reopened we suffered a further 2% loss and decided on a discretionary basis not to reverse the previous position opening a new one. It was a wise decision.  Our discretionary intervention was justified by the fact that it was not possible to trade that market and might occur again in the future because of circuit breaks in some exchanges. Other trades experienced the same loss magnitude (especially in December 2008 for equity markets) but those losses were consistent with the strategy and did not necessitate any discretionary intervention. Therefore we have consistently followed the model
Describe your cash management policy?	Cash is generally held on deposit at the Custodian, although the manager reserves the right to investigate alternative cash management mechanisms.
Do you outsource this function? If so, please give name of provider and method used.	No

## RISK

### LEVERAGE

Discuss your leverage exposure policy and its management over different market cycles:	The manager use the implicit leverage implied by the use of derivatives. The gross leverage (i.e. the unsigned aggregate notional exposure divided by the AUM) and the net leverage (i.e. the signed aggregate notional exposure divided by the AUM) is monitored real time using open positions and calculated and stored each end-of-day. The portfolio notional exposure depends on trading signals and MMR that entail a maximum level for each time frame and for each contract estimated in order to minimize draw-downs
What are your portfolio financing constraints/limits?	The Broker finance margination for non-euro currencies
Discuss sensitivity (cost) to LIBOR levels:	The fund is anticipated to be a net receiver of libor-linked proceeds on its cash holding. However this is not anticipated to be a major contributor to performance

### HEDGING

How is the portfolio hedged?	Only the non-euro currencies P&L is hedged
Are there particular markets/investments where you find it particularly difficult to hedge? How do you manage risk in these situations? (please give examples)	No

How do you determine size and limits for each position/basket?	The MMR (Money Management Rule) works as follows. Following a pattern completion a base size is entered. The trade may yield a profit and that size might be halved because of a profit taking signal (consequently the basic size must be an even number of contract lots). Conversely if the trade suffers a loss we continue to enter basic sizes for each following trade. Following a sequence of negative trades there may be a new pattern completion which occurs and the basic size is doubled (maximum size). Each new position is opened with the maximum size. In any case each contract can not overcome that size estimated in order to limit draw-downs for the contract and portfolio as well. For each asset class a maximum notional exposure (MNE), that minimizes the portfolio risk/reward ratio, is allowed. The maximum size of each market belonging to that asset class (number of lots) is computed equally dividing the MNE among its components
How often do you re-hedge?	It depends upon the amount of currencies in portfolio different from the reference one and the volatility of its cross exchange rate
Are short positions profit centres?	Yes
Do you hedge currency exposure? Under what circumstances?	See above
Are currency positions used purely for hedging?	Yes, for the time being
<b>DIVERSIFICATION</b>	
Discuss the depth of diversification:	Diversification is the core of the trading system because it allows for the reduction of drawdowns and the capturing of profit opportunities. We diversify investments in two dimensions: cross-sectional (markets) and time series (time frame)
How do you calculate the correlation between each investment in the portfolio?	Correlation between investments will be measured across varying time horizons and under various asset classes and contracts
How has performance been distributed across positions and time?	Yes, please see newsletters
Please provide performance breakdown by strategy, market, instrument/asset type, sector and by any other internal portfolio classification used. Please discuss the same.	Please refer to newsletters
<b>RISK MANAGEMENT</b>	
Discuss position and stop-loss limits and their management:	Stop-losses for each trade for each contract is provided by DSR levels
How often are these limits applied? When were their peaks observed?	These limits are applied each time we have an open positions in place and they are updated as time passes according to the time frame volatility
How do you calculate/measure risk?	Expected maximum draw-down
How do you adjust your risk capital allocation when there is a significant increase in equity due to trading profits?	We treat realized P&L as new capital in-flow. Refers to the related section for the answer
Do you have a risk manager?	Yes
Do you use an external risk monitor? If so, who, and why that particular one?	No
Please describe the operational risk management policy: (including exposure to data entry, fraud, system failure, valuation, risk measurement models)	The main risk is system failure both from time series data feeding and for electronic trades entering and amendment. In that case we face it with recovery PCs and internet connections. Moreover trading rules can be calculated with charts available and trade put manually into a platform or via phone to our broker desk. In the case of a disaster we can quickly close all open positions with a phone call
Is there a centralized position record? How often is that reconciled to external reporting?	Yes. Reconciliation every day with the Prime Broker and monthly with the Administrator
Is there an internal audit function to provide regular check on operational procedures?	Yes
How do you measure minimum liquidity of positions:	All positions are absolutely liquid. The manager does not accept positions that cannot be liquidated in few minutes
How liquid is the portfolio i.e. how many days would it take to liquidate the entire portfolio?	Very liquid. Few minutes to liquidate the whole portfolio
How do you assess, measure and monitor counterparty risk?	As far as trading is concerned we do not need to do that because our counterparties are Clearing Houses. For the cash we require that cash seats in a high rated bank. Our broker uses ABN AMRO Clearing (London) as a cash custodian



In what kind of trades do you encounter material counterparty risk? Are there any limits on such trades?	Before ABN AMBRO our cash was held in Fortis Global Clearing N.V. (London). Notwithstanding the difficulties experienced by that bank before the rescue of Dutch government we did not complain any inconvenience in the trading activity because our broker did not experience any problem
Please provide list of counterparties used for OTC/swap/derivative transaction	None
What system/software is used in your middle office?	The manager uses an in-house developed software to implement the strategy. Data are retrieved from CQG and orders are electronically placed through Fidessa
<b>EXTERNAL CONTROLS</b>	
Are any third parties involved in verifying adherence to risk limits, e.g. the fund's administrator?	No
<b>INVESTMENT RESEARCH</b>	
What outside sources are used?	None. Only internal resources are employed
What proportion of research is generated internally?	No research ideas are generated internally to Banca Credinvest SA
Describe your back testing of investment ideas?	The backtest is fundamental to confirm investment ideas. Strategies designed must be fully back-testable except for slippage cost. Backtests should basically exhibit poor performance in what are a priori considered difficult environments for the strategy and vice-versa, so they are basically used as a confirmation of strategy features
Have you published or commissioned any research/academic papers?	Yes. Two internal research paper and an academic paper: G. Dosi and G. Bottazzi. <i>Institutional Architectures and Behavioural Ecologies in the Dynamics of Financial Markets</i> , Journal of Mathematical Economics, vol. 41, pp. 197-228, 2005 Please refers to CVs of principals for the full list of publications
<b>INVESTOR SERVICE / REPORTING</b>	
Can the prospectus / offering memorandum be transmitted to us electronically?	Yes
Who calculates the NAV? What is the frequency of calculation.	NAV is calculated by Circle Investment Support Services B.V., on a monthly basis at the close of business of the Valuation Day. The Valuation Day is the last business day of each calendar month. Daily estimated NAV is available on request and is produced by the management
Do you make any adjustments to the NAV valuation received from your source? If yes, please explain what kind in terms of:	The manager does not adjust the NAV calculated by the Administrator
• Liquidity	
• Time zone	
• Size	
• Holding period	
• Other	
• Percentage of adjustments to total NAV	
• What instruments subject to adjustments	
Can fund performance (NAV, RoR) be transmitted to us electronically on a regular basis, and at what periodicity?	Yes on a monthly basis.
List all reports and correspondence usually sent to clients, and please explain the frequency and the detail the manager reports performance to investors.	The manager produces a monthly newsletter for investors detailing data and statistics about return and risk profile of the fund
Can you provide copies of historical reports?	Yes
Are investors informed when minor / major changes are made to the trading, money management, or risk control methods?	Investors will be kept fully informed of all major changes to the investment methodology of the fund
What databases, publications, or other available sources does the manager regularly report	For the time being none, the fund is in the process of uploading information to bberg's fund database

performance figures to? If none, explain why?	
What portfolio data can you provide (electronically) in terms of:	
• Position:	The manager may provide COB open positions on request on a lagged and selective basis.
• Concentration:	See previous point
• Exposure:	Daily net and gross leverage
• Performance attributes:	Monthly analysis of the asset class contribution to the overall fund monthly performance
• Hedge:	Monthly analysis of the non-euro currencies exposure of the Fund
How frequently can this data be provided?	See previous points
Can all trades be reported on a daily basis to the client?	The managers are available to discuss these matters with investors (evaluating them case by case)
<b>ADMINISTRATION</b>	
Please indicate any material facts about your fund that are not mentioned in the offering memorandum (domicile, legal issues, political situation, tax etc.)	None
Please describe the trade execution process	Fully automated trade execution. Orders are inputted manually into the front end system once the trade is signalled by the model. We are implementing a fully automated order routing fix protocol
How do you manage trade data and keep track of open positions? Please specify the systems in use:	Data is monitored and signals generated through CQG software Trades are placed using Fidessa software A proprietary software keeps track of open positions and performances in real time.
How is performance of each account calculated, and how often?	Performance is calculated monthly by the administrator, and monitored real-time in-house
What is the average frequency of trading?	200 trades per month (round trip)
Which personnel are authorised to place trades? Who signs off on trades before they are sent to the prime broker?	Igor Rebesco, Daniele Scribano and Andrea Bado'
Please describe the trade confirmation and reconciliation process. How are confirmations on fills received? (on phone?); Are written confirms received and reviewed?	Fills are received electronically except those ones that for some reasons are temporarily placed by phone (all phone calls are recorded). In that case fills are received via phone and then confirmed via email. Trade confirmations are listed in a statement drawn up by the broker during the night and received early in the morning
Is there an electronic feed to brokers and administrators, and how is it used?	The manager uses electronic feeds to brokers for trading and reporting, and to administrators for reconciliation (the administrator receive the daily statement)
What trade information is received from brokers on a daily basis?	The statements (an example is available upon request). The manager receive three statements early morning: <ol style="list-style-type: none"> <li>1) A blotter with three sections: <ul style="list-style-type: none"> <li>• Trade confirmation: the list of executed orders</li> <li>• Purchase &amp; Sales: the order matching and gross P&amp;L generated</li> <li>• Open positions and account balance</li> </ul> </li> <li>2) The margin accounting for end-of-day positions</li> <li>3) The fees accounting for the day trades</li> </ol>
How are unsettled trades monitored?	Electronically or via a prompt phone confirmation by the broker
Are phone lines used for trading taped?	Yes
How would you handle trade and execution errors?	Closing the wrong executed trades as quickly as possible and trying to recover the missing trades (w.r.t. the trading signals generated by the system)
What type of information is maintained internally on each account/portfolio/fund?	Time frame exposure and P&L generated by them
Do you subscribe to or have access to any third-party risk management systems?	No
Does your management program automate trade allocations to investor's account?	Yes
If not, how are trade allocations to investor accounts executed?	N/A
Has this method been audited by a regulatory body?	Yes
What is the policy of allocating orders across funds/portfolios/accounts? How are split price	The highest price to the Fund. Odd lots to the other accounts

fills allocated? How are partial fills allocated?	
What is the policy regarding execution of personal trading by investment manager, investment advisor and principals vis a vis execution of orders for the fund?	Not allowed
Have you/would you ever cross trades between customers and proprietary accounts/personal accounts of manager/advisor and their principals? If so, such trades are made under what circumstances and done at what price (with reference to market)?	No
Have you ever suspended or forced redemptions? If so, under what circumstances?	Never
What contingency plans do you have in terms of:	
• Computer system fault?	Fund has a recovery center with its risk manager office in an Italian office based at Conegliano Veneto as well as separate functioning offices in Lugano/Monte-Carlo.
• Power/Phone breakdown	The Investment Manager has a back-up generator sufficient to operate all systems for 24 hours.
• Incapacitated investment decision makers?	We will unwind all positions because they can be liquidated in a matter of minutes.
• Technical failure at Prime Broker's location?	N/A
Do you have an in-house computer technician? Please give details of IT capabilities:	No. Assistance services are provided by execution brokers
<b>TAX ISSUES</b>	
What is the tax status of the Fund w.r.t. tax on profits, income, gains and appreciation. Any withholding tax on dividend and capital distributions? Any stamp duty, estate or inheritance taxes?	None. The Fund is a BVI company
Discuss risk of new/incremental taxes and possible contingency measures for potential adverse taxation events	N/A
<b>SUBSCRIPTION AND PAYMENT</b>	
Please give details of Subscription and Payment	See Fund documentation available upon request

Please state the name and title of the officer at your firm who has prepared and reviewed this questionnaire.

Name:	Patrick Fietje
Date:	August 1st, 2011
Position:	Alpheia Fund Director /STF Director