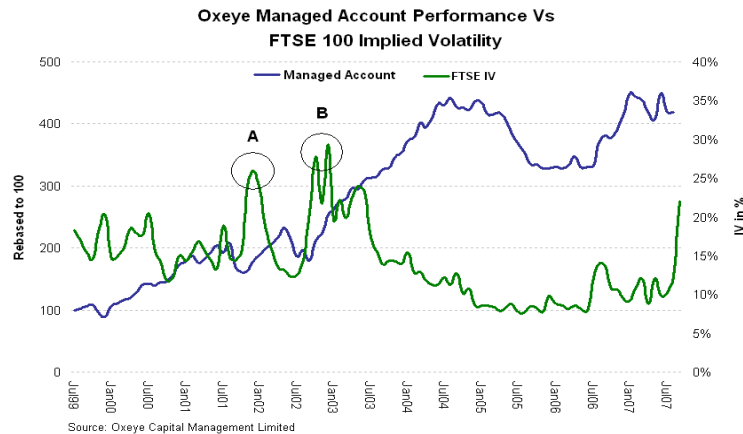


## Oxeye FTSE 100 Index Options Strategy Current Implied Volatility Offers Good Opportunity

The highly volatile environment for the FTSE 100 index is causing large swings in the valuations of the Oxeye FTSE100 strategy. In the last 12 months FTSE Implied Volatility (IV) has risen dramatically from the historical low levels recorded in 2005 and sharp market 'sell-offs', like the one we are currently experiencing, continue to push IV higher. The chart below shows the cumulative performance of an Oxeye managed account vs Implied Volatility going back to 1999. There have been a number of spikes in IV since 1999 and these have always coincided with declines in value for the managed account portfolio. But as soon as IV begins to subside the portfolio has always recovered to new high ground, benefiting from premium erosion.



The current market sell-off has seen IV rise from 14% to 22% as the FTSE 100 fell roughly 500 points from the July high to the August low. This is the highest level of IV we have seen since 2003. During the spikes in IV in 2001 and 2002 (A&B on the Chart above) the Fund initially suffered but the following months saw a good recovery and new highs. The table below shows these periods with the respective initial drawdowns and the performance during the following 9 months.

Date	FTSE 100 % Rise in IV	Managed Account Draw-down	Managed Account Post Performance
Oct-01	63.3%	-23.4%	45.7%
Sep-02	126.1%	-22.9%	65.2%
May-06	76.4%	-5.4%	36.3%

Source: Oxeye Capital Management Limited

Although the last few months for the FTSE strategy have been choppy, from past experience, even if the strategy suffers further in the short term, the current level of IV is the highest we have witnessed since 2003 and provides an excellent 'springboard' for strong positive returns over the medium term.

**Martin Petherick**  
**September 2007**

**Oxeye Capital Management Limited, Close Gate House, 47 High Street, Salisbury, SP1 2PB Tel:+44 1722 336388 Fax:+44 1722 339537  
Email:info@oxeye.co.uk www.oxeye.co.uk**

This Publication is issued by Oxeye Capital Management Limited ('Oxeye') which is regulated by The Financial Services Authority. References to 'we', 'us' and 'our' in this Publication shall mean Oxeye unless otherwise stated. This Publication was prepared and distributed by us for information purposes only, and may contain information, advice, recommendations and/or opinions, which may be used as the basis for trading undertaken by us and our officers, employees, associated and/or affiliated companies. This Publication should not be construed as solicitation, nor as offering advice for the purposes of the purchase or sale of any derivative, security or investment. The information and opinions contained within this Publication were considered by us to be valid when published. This Publication may also contain information that has been provided to us by third parties. The source of such information may be disclosed within this Publication where relevant. Whilst we consider we have taken all reasonable steps to ensure the information is correct, we do not under any circumstances whatsoever, warrant the accuracy or completeness of such information. Any person placing reliance upon this Publication to undertake trading, does so entirely at their own risk, and accordingly, we do not accept any liability as a result, whether direct or indirectly incurred. Derivatives and securities markets may be subject to rapid and unexpected price movements, and past performance is not necessarily a guide to future performance. Currency movements may also have an unfavourable, as well as favourable effect on the value of the underlying investment and/or assets. Investments and/or strategies discussed herein, may not be suitable for all investors. Accordingly, if any person reading this Publication has doubts about their particular suitability, they should consult an independent investment adviser.