

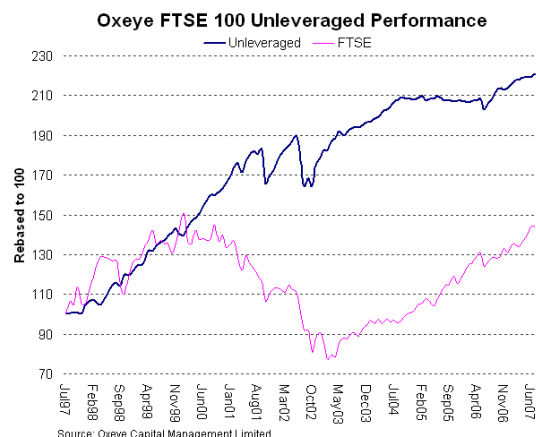
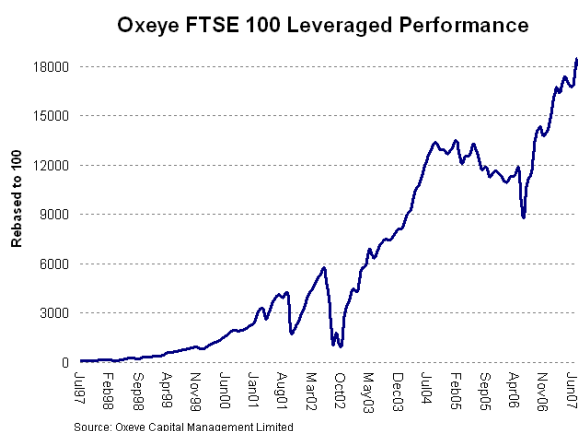
## Oxeye FTSE 100 Index Options Strategy

### High Risk Strategy Completes 10 Years : 69% Annualised All Managed Accounts

This year marks a milestone for Oxeye strategies. Our original FTSE 100 Index Options strategy has attained a ten year track record to the end of June 2007.

The strategy is systematic - it does not attempt to call market direction or hedge movements in volatility. In effect it is our most high risk strategy.

Its performance record has been strong. On an unleveraged basis since inception in July 1997 it has produced an annualised average return of 8.3% with a Standard Deviation of 6.7%. However on a *fully leveraged* basis, which allows a maximum gross exposure of 20x the underlying assets, the strategy has produced an annual average of 69% with SD of 86% (at a gross leverage of 15x on average).



It has been remarkably resilient despite experiencing some volatile stock market events. It survived the LTCM crisis of 1998, a strong bull market between 1998 and 2000, the 9/11 crash in 2001 and the bear market of 2000 to 2003, when FTSE fell from a high of 6950 to a low of 3277, a decline of 53%. It has even survived a period of low Implied volatility (2004 to 2006). Low volatility was the main cause of the one losing year in 2005 (down 6.55%).

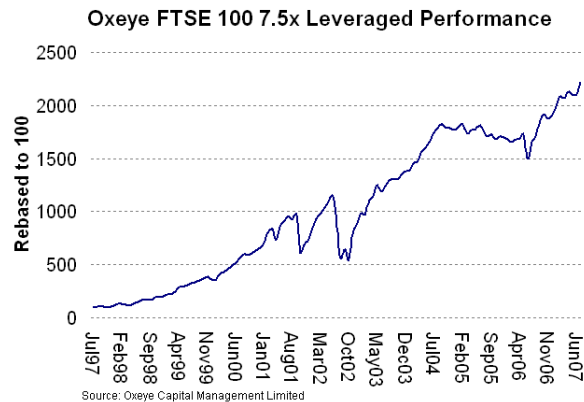
Its strength has been its 'self healing' capability after big Implied Volatility increases. When stocks decline precipitously IV rises sharply and, although the initial decline often damages the strategy's valuation, the resulting fall in IV normally repairs the damage fairly quickly. The history of large IV increases and subsequent performance by the 15x leveraged strategy is as follows:

Date	IV% Move	Draw Down	9 Month Post Performance
Feb-98	100%	10%	177%
Sep-01	98%	57%	221%
Jul-02	129%	80%	522%
May-06	77%	25%	90%

Because of the high volatility of the strategy's returns we created the FTSE 100 Futures and Options strategy (F&O) which enabled us to control the volatility by lowering the net exposure. Although this strategy is still based on selling theta (similar to F100) it also allows for hedging against big directional trend, controlling delta, and against IV increases, controlling vega. It is a more dynamic strategy than the F100, which is generally passive and systematic, and it has a lower degree of net gearing.

Since July 2000 the F&O strategy has produced an annualised average return of 22%, with volatility of 21%.

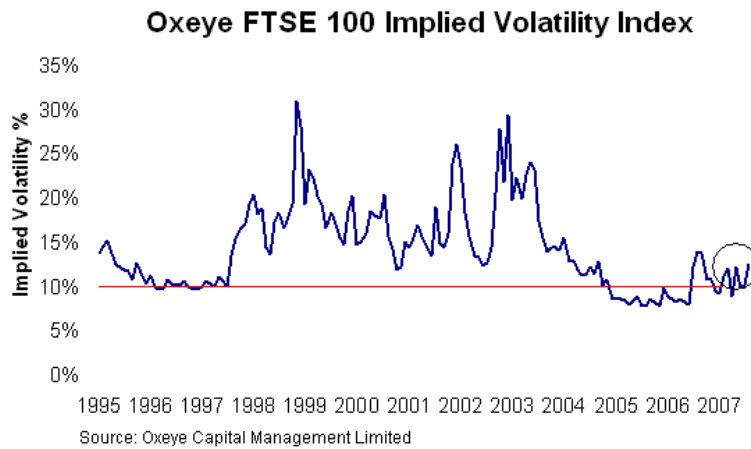
However, a quick look at the long term returns of our uninsured FTSE strategies shows that these can be the most rewarding for investors who can withstand occasional large losing periods, because performance volatility reduction procedures (ie. insurance) cost money.



We are mindful of the fact that not all investors have the same degree of risk aversion. In February 2007 we decided to highlight a half-leveraged version (7.5x) of our systematic strategy. The returns here are as follows: 36.4% annualised and 32.3% SD. The performance of this strategy is shown on our website [www.oxeye.co.uk](http://www.oxeye.co.uk).

Comparing the three approaches by performance and risk:

	<b>LOW RISK F100 Unleveraged Uninsured Unlimited Liability</b>	<b>MEDIUM RISK FOS Actively Insured Limited Liability</b>	<b>HIGH RISK F100 7.5x Leveraged Uninsured Unlimited Liability</b>
1997	6.5%		27.9%
1998	16.3%		72.0%
1999	12.9%		60.5%
2000	21.1%	39.3%	99.6%
2001	4.4%	46.6%	19.4%
2002	3.3%	39.4%	17.2%
2003	7.6%	26.5%	40.3%
2004	6.2%	0.9%	30.1%
2005	-0.8%	-5.7%	-6.6%
2006	4.1%	5.7%	18.4%
2007	2.7%	4.4%	11.7%
<b>Ann Rtns</b>	8.3%	21.2%	36.4%
<b>Biggest Dd</b>	-13.4%	-32.0%	-51.0%
<b>Sharpe</b>	0.4	0.8	1
<b>Ann Sd</b>	6.7%	20.3%	32.3%



The 10 year performance has been consistently strong. At the end of June 2007 the strategy had reached a new all time high and we believe that the current level of premiums continues to provide a favourable climate for writing options on the FTSE 100 Index. With the IV environment now at levels historically suited towards Oxeye FTSE 100 strategies, we are optimistic for an improvement in returns over the coming months.

**M Petherick**  
**July 2007**