

This document endeavours to identify the risks associated with the Ganoz funds and to show how they have been considered and explain what steps have been implemented to mitigate them. It does not claim to be exhaustive as there is always the possibility of new risks arising that have not been considered.

1. Risk of Fraud

The risk of the fund managers miss-appropriating the money is removed by using a regulated 3rd party custodian (Fortis Bank) to hold the money and by engaging a regulated professional firm of administrators (Bordeaux Services) to control the bank account and conduct administration. Ganoz cannot have any access to the investor's capital.

As the custodian and administrator are large, well established companies regulated in Guernsey, the risk of them misusing the money is extremely low. Fortis are one of Europe's largest banks and Bordeaux have over £2 billion under management in hundreds of funds.

2. Systemic (Market) Risk

Currency markets trade by swapping currencies in pairs (USD/EUR, USD/GBP, USD/SFr, EUR/JPY etc) in the forex trading markets that are open 24 hours a day for 5.5 days a week. They do not have bull and bear market characteristics such as equities because the trader can always swap from holding one currency to holding another. Currency markets can be prone to sudden movements and volatility, but the adeptness of the computerised trading system is designed to exploit these movements by buying or selling appropriate currency pairs based on technical trading signals generated, thus moving into the currency that is advancing relative to others. Although some trading strategies can last several weeks, it is not a "buy and hold" market like equities, or bonds.

All trading systems require good **liquidity** in the markets they trade so they can have confidence that orders will be filled in a timely manner and at the price ordered. If liquidity dries up, it can cause unpredictable results in trading strategies, as orders may be filled at disadvantageous prices and the market may move uncharacteristically. This has never occurred in the experience of the Ganoz developers until the banking crisis of October & November 2008. The Ganoz trading system made losses during this period, but it has been modified and enhanced to cope with this situation if it should occur in the future.

3. Trading Risk

The trading strategy is very risk averse and adopts strong risk management:

- a. Only 20% - 30% of the investors' capital is used for trading at any time. This reduces the risk of outright loss of the investors' capital.
- b. The amount of the investors' capital allocated for trading is leveraged, currently by 20 times, but this can go as high as 50 times. This increases risk, but Ganoz mitigate this by employing an automatic stop loss of around 0.15% on every trade. At this level of stop loss and leverage, the expected maximum loss to capital is 3% on any trade. Of course, it is possible for the exit price of a trade to slip beyond this amount in a fast moving market. However, even in extreme cases it is unlikely to cause a loss of more than 10% of the trading capital.
- c. The risk of multiple successive losing trades is reduced by programming the trading system to cease trading after a very small number of successive losing trades.
- d. There are several trading programs per currency pair, each working on a different strategy. Each trading program is designed to activate according to its designed market pattern. Thus the computer programs analyse the technical trend characteristics and only trade when a clear profit making opportunity is identified. The computer will stay out of the market if it decides that the market conditions are not conducive to profitable trading. Unlike a human trader, the computer has no obligation to trade at any given time and is disciplined to wait for the right conditions. This avoids potential losing trades.
- e. The Ganoz funds only trade in the currency spot markets as these markets have significantly greater liquidity than the markets in futures, options and other derivatives.

- f. As the funds grow in size, there could be a risk of running out of liquidity in the markets. The Ganoz management team recognise this and will avoid becoming the market. There will come a point when the funds have to close. However, the capacity of the Ganoz trading system is very substantial by fund management standards, as it trades in multiple currency pairs and has several strategies over different time periods for trading in each pair around the clock.

4. Computer Risk

- a. The risk of computer programming error is managed by testing the software thoroughly prior to implementation. The live system is monitored constantly in shifts by both an experienced market trader and a computer technician. They watch every trade and analyse it to gather information that can be used to enhance the system.
- b. System failure risk is mitigated by using multiple servers and multiple data feeds through multiple internet feeds from multiple internet providers. The programs are also self-monitored using software designed to recognise server failures and take action. Should a server failure occur, a series of cascading automatic events will take place, switching redundant (back-up) servers into active mode and ultimately warning the human monitors of a system failure if the back-up servers failed. Should this then happen, the human monitors will close off any outstanding trading positions into neutrality and close the program servers until a technician can bring them back on-line again.
- c. The physical security of the computer system is ensured by using a secure underground bunker with severely restricted access. All utility supplies are duplicated, water, power, IP providers etc. The bunker can survive a number of days without external power or water.

5. Counterparty Risk

The investors' capital is paid to Fortis Bank as custodian, with Bordeaux Services (Guernsey) Ltd as the administrator and account signatory. Fortis move the trading capital to the trading platforms and in the case of the capital protected funds, they move a large amount to Credit Suisse to secure the capital protection. If any of these parties were to default, the investor could be exposed to loss. To reduce this possibility, the fund has selected 2 of Europe's biggest banks in Fortis & Credit Suisse. The administrators are an established regulated company having over £2 billion under management across well over a hundred funds. The trading capital is spread over more than one platform and segregated accounts are held with each platform so the trading capital does not form part of the platform's balance sheet. Only the strongest platforms are used and these are the main inter-bank platforms. Risk is reduced by using more than one currency trading platform.

6. Risk Mitigation

The funds distribute all their gains every quarter and do not allow compounding by the investor. This reduces the investor's risk as his gains are not locked into the funds.

7. Summary

The Ganoz management have the technical and academic competence combined with years of experience that has enabled them to design and implement their very advanced system. It is the sophistication of the technical trading strategy, combined with the strong risk management approach that makes it so successful.

Of course, there remains a risk, which the Ganoz management believe to be small, that the carefully designed risk controls fail and **SO THE GANOZ FUNDS SHOULD ONLY BE USED BY EXPERIENCED INVESTORS WHO CAN UNDERSTAND THE RISKS ASSOCIATED WITH CURRENCY TRADING** and who can appreciate the risk management systems that Ganoz have implemented. Investors should seek professional advice before investing and this document should be read in conjunction with the fund prospectus and term sheet.