



VOLMANAC

ASYMMETRIC RISKS, UNDERPRICED ASSETS, AND DATA-DRIVEN INVESTMENTS

Amplified returns utilizing data from unique public and third party sources to significantly reduce the risk profile on invested capital

WAMU: SMALL INFORMATIONAL EDGE LEADS TO EXPONENTIALLY IMPROVED ASSET RISK PROFILE

- Washington Mutual Inc. (WMI) filed for bankruptcy 9/26/08, one day after JP Morgan bought most of the banking operations of Washington Mutual from FDIC receivership

	HOLDCO (WMI)	BANK (WMB)
Debt Profile	\$6.9B unsecured / \$4.1B unsecured / \$1.6B subordinated / \$1.2B junior subs	\$22.7B debt claims / \$14.8B unsecured / \$7.9B subordinated
9/26/2008 Trading Levels	~42pts unsecured; 2pts subs	~11pts unsecured; 0.25pts subs

“In April 2008, WMI received \$7.0 billion of new capital from the issuance of common stock. Since December 2007, WMI infused \$6.5 billion into WMB.” - OTS Fact Sheet released 9/25/08

- Market confusion existed around location of \$7B in cash after OTS released a Fact Sheet 9/25 – **investors believed cash had been downstreamed from Holdco to WMB, and trading prices of the two structures reflected this assumption**
- Digging deeper into financial statements revealed discrepancies:** i.e., JPM announced purchase of \$296B of tangible assets of WMB, but most recent WMI 10Q showed \$301.8bn of tangible assets (after subtracting \$7.2bn of Goodwill), leaving **\$5.8BN of assets “missing”**
- Investment thesis: **If cash remained at Holdco, bond recoveries** on unsecured and subordinated debt at Holdco **could be in excess of par**
- We simply called the WAMU treasurer and asked** where the cash was located. WAMU indicated that the OTS report was misleading and that **most of the cash was still at Holdco and was not downstreamed to WMB**
- Later bankruptcy docket filings would confirm this cash number and **the unsecureds and subs for WMI ended up recovering above par**

ONE BRIEF PHONE CALL CREATED THIS INVESTMENT OPPORTUNITY

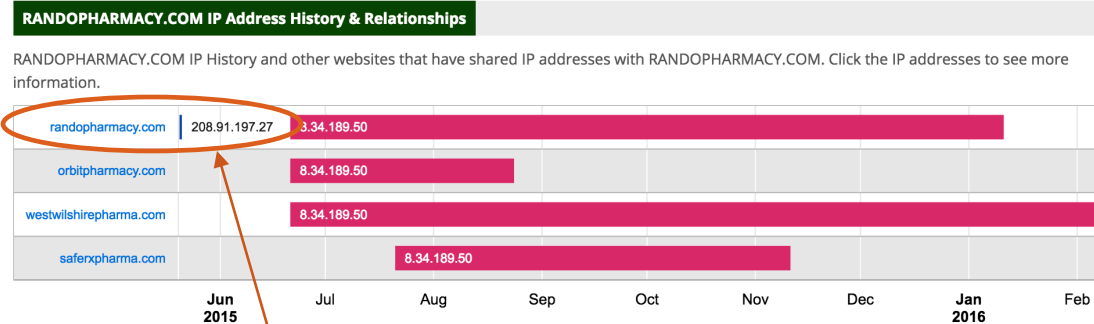
- **We have combined our deep investing knowledge with a state of the art technology backend to make discovering these catalysts a **repeatable process**.**
 - Lowers risk profile significantly
 - Monitor more situations/assets
 - Ability to invest with confidence in assets with potential asymmetric returns

- Fundamental, value-based research and investment philosophy at its core
- Ability to layer in programming expertise and big data aggregation and mining strategies to derive better investing insights and returns
 - Only fund to have fundamental investing and programming expertise so tightly integrated
 - We currently monitor hundreds of public and third-party data sets and leverage these alongside proprietary data collection and aggregation strategies to monitor and deploy capital
- We believe that small increases in confidence intervals translate to exponentially improved asset risk profiles
- Sample data collection strategies and applications:
 - Foot Locker – Estimating online sales using order numbers
 - Tobacco bonds – Predicting tobacco sales with surveys
 - WHOIS records – Discovering bankruptcy filings before publicly announced
 - IMS Health and CMS Open Payment Data – Prescription count information
 - Searching and monitoring 100MM+ credit card transactions
 - Advanced company API analysis (i.e., Align Technologies (ALGN), Rosetta Stone (RST), JustEat (JE))
 - BuiltWith Monitoring – DNS trends, company relationships insights

RECENT CASE STUDY: FINDING PHILIDOR

RANDOPHARMACY.COM

Relationship Profile

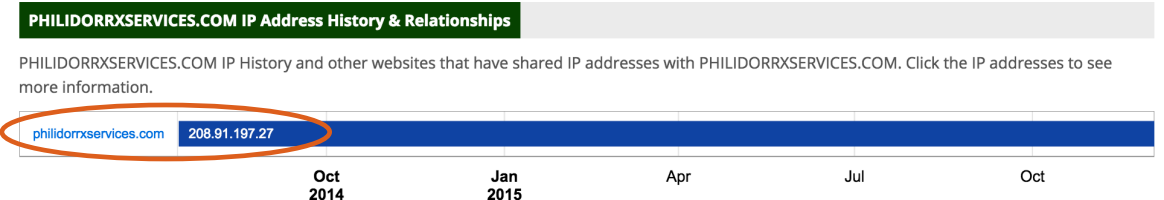


Philidor and multiple mail order pharmacies were hosted on the same server, confirming their relationship to Valeant.

- “Relationship Profile” helps uncover hidden relationships such as the infamous Philidor, Valeant, and R&O pharmacy ownership structure (which took months of exceptional research and investigative journalism to discover)
- The tool indexes technologies used on almost every website on the internet (350MM+ sites) to surface relationships between websites through host IP addresses and shared UUIDs such as Google Analytics, as well as identify same host server and server history
- Gives us the ability to uncover related parties, inter-/intra-company relationships, potential new products, subsidiaries, foreign country domains (i.e., indicating entrance to new markets or company’s future plans for business), etc.

PHILIDORRXSERVICES.COM

Relationship Profile



DATA-DRIVEN INVESTMENT STRATEGY ADVANTAGES

- **Volmanac Advantages:**
 - **Monitor More Assets and Themes** – We leverage computing power rather than an army of analysts
 - **Idea Generation** – Data is often applicable to multiple assets or will lead to a more efficient, risk-reducing trade
 - **Capital Deployment** – Ability to size larger trades given our enhanced probability distributions from data analysis
 - **Repeatable Methods** – Larger data sets and asset coverage create more investment opportunities
 - **Portfolio Advantages** – Assets and Sectors are increasingly correlated and information is often applicable to a broader industry
 - **Enhanced Fund ROI** – Incremental ROI of a security Analyst at a fund quickly diminishes while programmer ROI remains high longer as the amount of data available is increasing exponentially
 - **Exponential Data growth** – New data sources and APIs coming out every day
 - **Uncrowded Strategy** – Tremendous amount of low hanging fruit; most fundamental and distressed investors view data analysis and programming as a cost center (and do not have technical knowledge) and are not investing in these strategies