



SHERPA
FUNDS
TECHNOLOGY

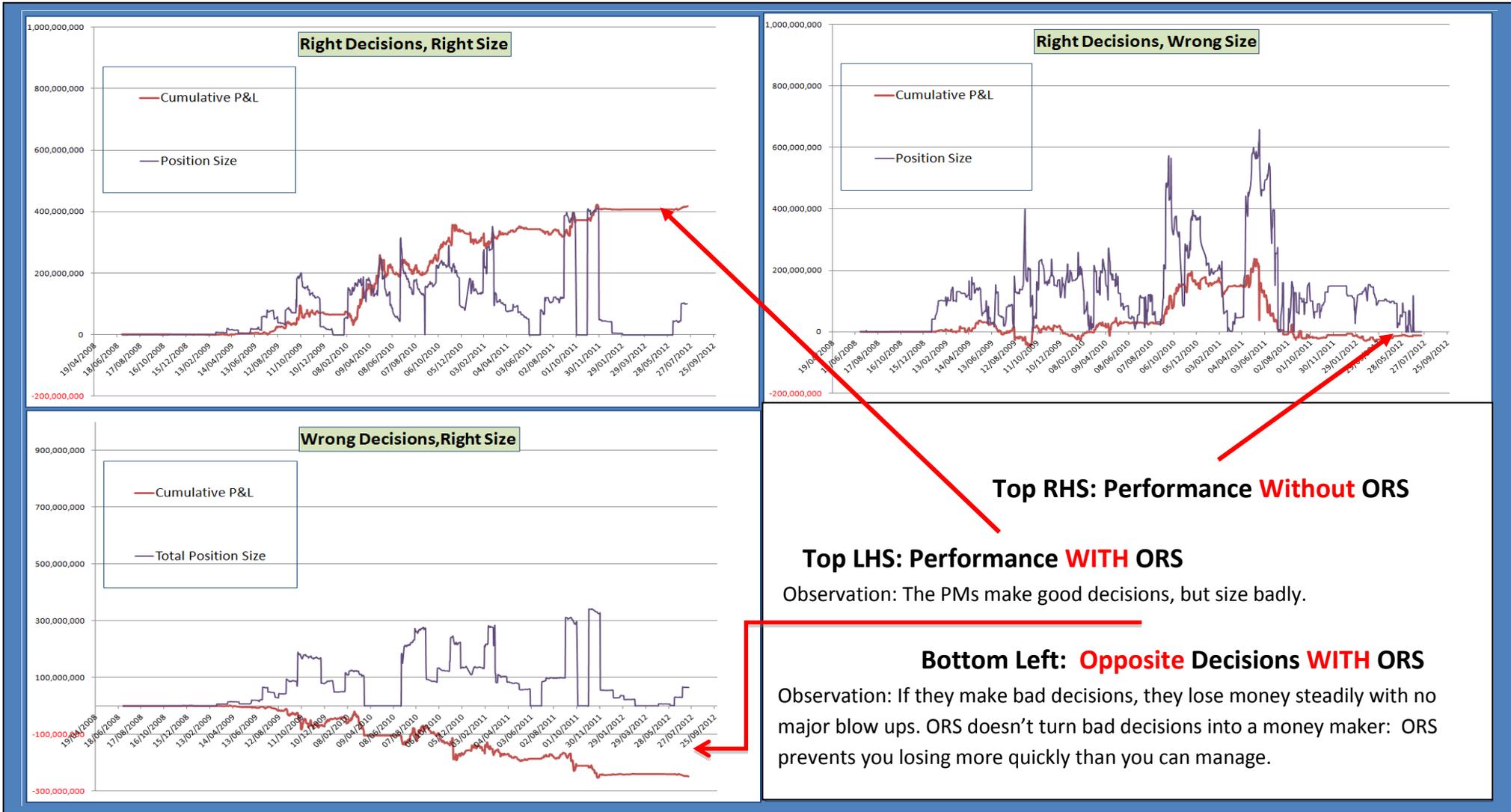
Summary

Sherpa Funds Technology (SFT) is a Singapore based Company which builds advanced analytics systems that provide an interactive link between Investors and Fund Managers.

- **SFT's Optimal Risk Sizing (ORS) technology improves the relationship between Investors and Fund Managers by combining an Investor's risk preferences with a Fund Manager's asset choices to create return streams that match the Investor's goals**
- This technology addresses the 'Principle-Agent' problem in Fund Management (where the two parties have different risk appetites and time horizons). SFT's interactive system allows Investors to express their long-term goals directly in the portfolio chosen by the Fund Manager without changing the Fund Managers essential role in choosing assets
- **The Technology is used by Asset Managers to raise incremental AUM, as Managers can create portfolios that match the specific risk preferences of Investors in a bespoke fashion**
- The system allows the Investor and the Fund Manager to analyse risk-taking behaviours and highlights inconsistencies in trading behaviour, as time and market conditions change.

Illustration of Results

Real Data from a Hedge Fund Trading Book showing the effect of using Sherpa Technology's ORS



What else does Optimal Risk Sizing (ORS) do?

ORS changes the Investment business process by linking the **Investor** to the **Portfolio Manager**:

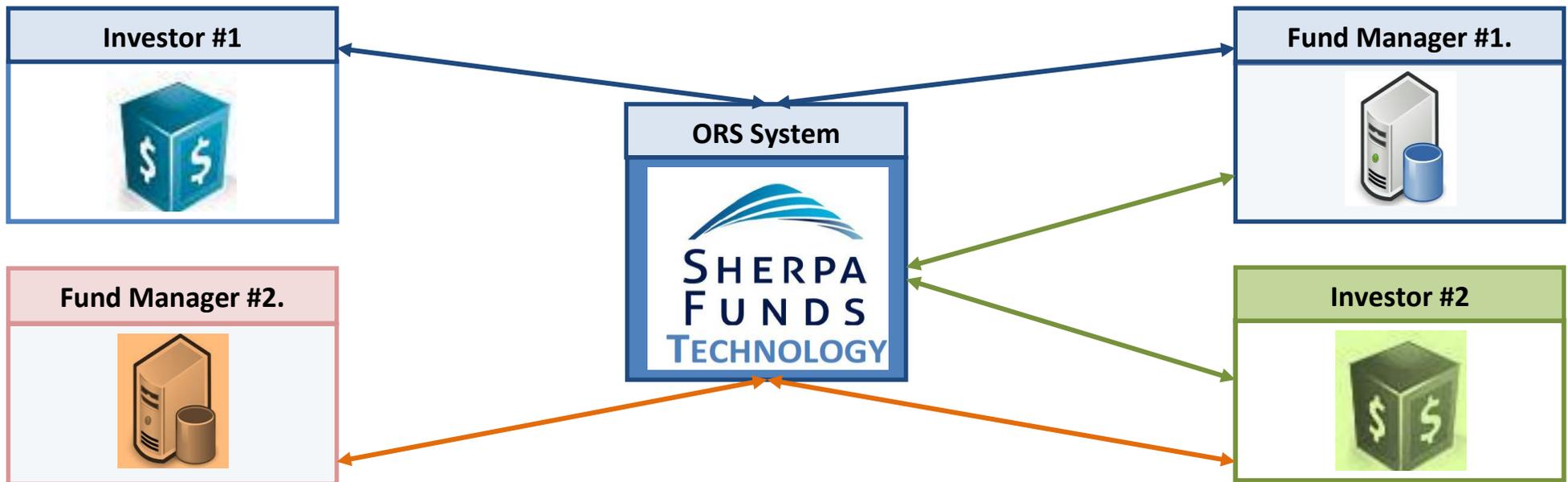
- ✓ Gives the *Investor control over the riskiness of returns* in the Investment while still benefitting from the *Portfolio Manager's asset selection skills*
- ✓ *Eliminates Ego and Emotion* from Position Management
- ✓ Generates *consistent long term return* streams from asset selection decisions
- ✓ Enables an Asset Management Company to *create portfolios that match multiple risk appetites* out of one Portfolio Manager's asset decisions
- ✓ Attracts new Asset Under Management (AUM) for the Asset Manager by offering *matched risk appetite to the Investor and control over the return streams*
- ✓ *Eases Communications between Investors and Fund Managers*
- ✓ Presents Portfolio Managers, Asset Management Companies, Consultants and Investors with *advanced analytics and compliance reports*

Ultimately creating a **group of Portfolio Manager and Investors bound by shared risk tolerance**

ORS Propagation across Fund Managers and Investors

Each side of an Investor/ Fund Manager pairing benefits from ORS. The Investor talks to Multiple Fund Managers, the Fund Manager talks to Multiple Investors. Each side then benefits from their other counterparties using ORS. ORS propagates through our clients' networks.

Investor#1 uses SFT to link to Manager #1, who then passes the technology to Investor #2 (improved communications makes the AUM stickier), who asks Manager # 2 to use it on a different investment (for improved transparency & control)



The unique ORS Mathematics ensures it is more than a numerical 'chat room'
The Interactive Link, Investor to Fund Manager, makes it more than a risk report

Summary Key Innovations and Significance

The Process

Separating Asset Selection Decisions from Position Management

Calibrating a Utility Function to an Investors' risk tolerances

Making Trade Size & Position Management systematically optimised and repeatable

Applying Industrial Process Engineering thinking to Finance

Business Impact

Investors and PMs are more closely linked

PMs' Managers can offer multiple products differentiated by risk tolerance from one PM's decisions

Investors and PMs' managers can attribute performance to Asset Choice or Position Management

Viral Propagation of Product through Investor/Manager relationships with low SFT sales involvement

Strategic Growth Opportunities

Creation of Investor/Manager Communities with similar risk tolerances

Resale of Market Data & Partner Branding

Increased Product Offering to replace incumbent Portfolio Analytics providers