

Global Investment Management Strategies



POLYGON

Investment Management

Polygon Investment Management

- **Service oriented**
- **Process driven**
- **Risk controlled**
- **Results focused**



Client Focused

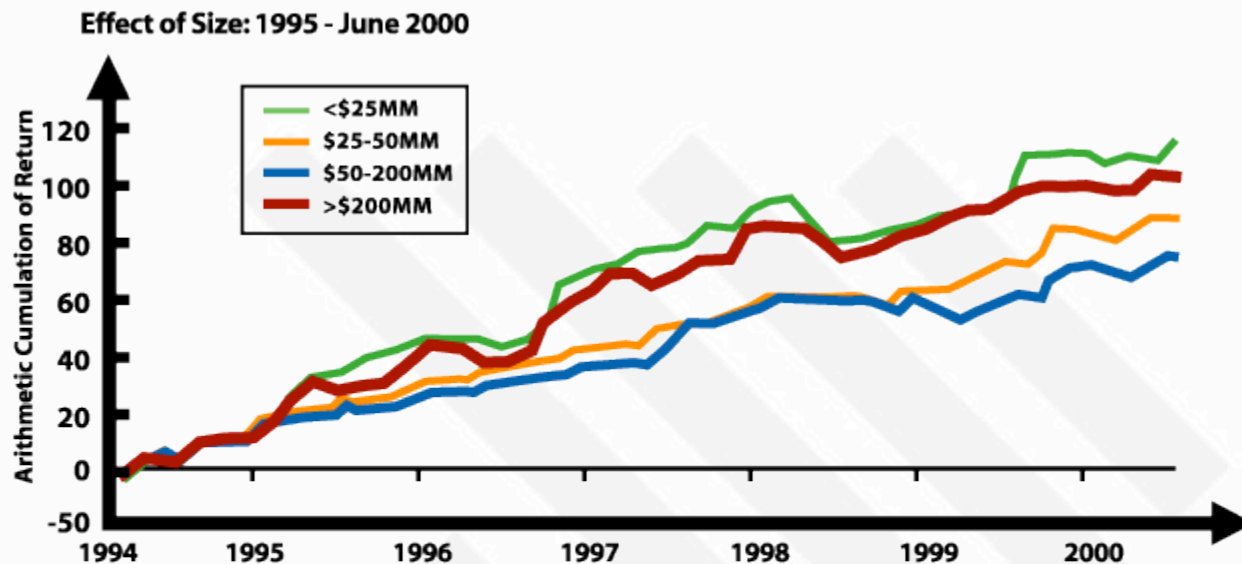
- **Understand and define client objectives**
- **Tailor portfolios to meet them**
- **Transparency in all transactions**
- **Integrity**



Smaller is Better

- **Fewer bureaucratic constraints**
- **Streamlined decision making**
- **Independence avoids conflicts**
- **Entrepreneurial - owners' money is at risk**
- **Younger, smaller firms outperform**

Size Anomalies in Fund Performance

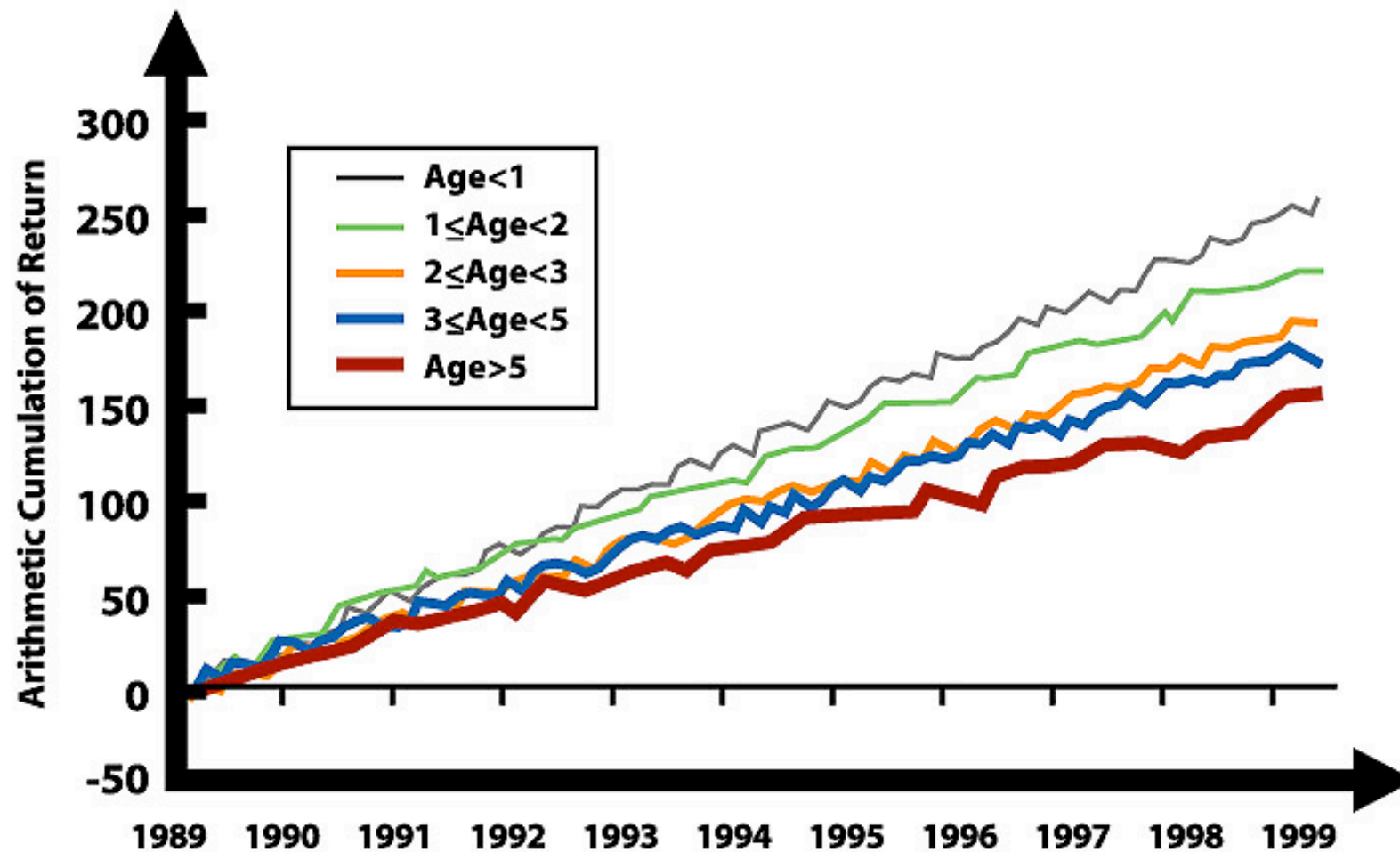


Annualized Performance by Size Category (\$MM)

	<25	25-50	50-200	>200
Annualized Return	19.5%	15.0%	12.7%	18.0%
Annualized Volatility	7.7%	5.8%	5.8%	8.2%
Sharpe Ratio	1.9	1.7	1.3	1.6

Source: Morgan Stanley

Performance of Funds by Age



Source: Morgan Stanley



Philosophy

- **Minimize stock picking in developed, efficient markets**
- **Use core satellite hybrid to minimize transaction costs and maximize performance**
- **Control risk through diversification and absolute return strategies**

Stock selection subtracts value in efficient markets

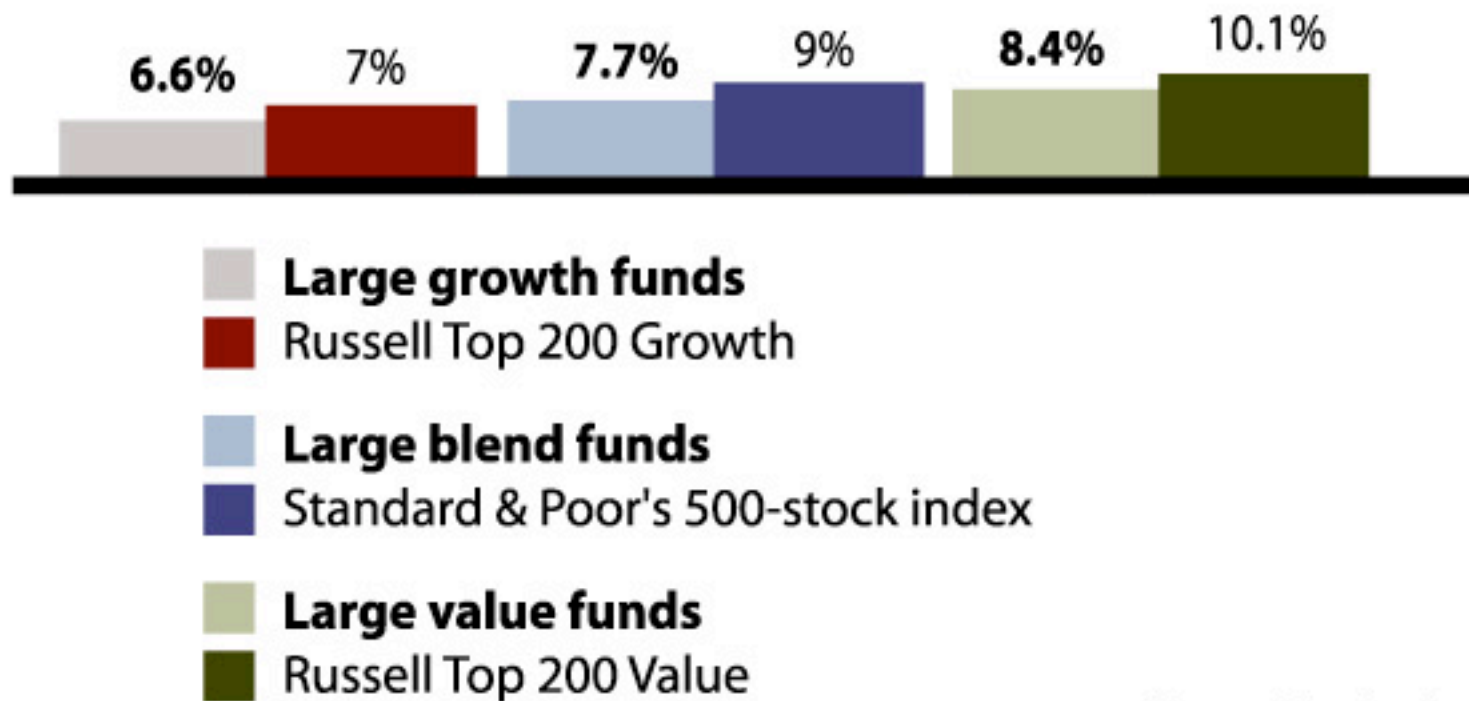
Over the past 20 years, the average U.S. equity mutual fund lost 3% a year against the stock market, with higher risk

- **Information is transmitted simultaneously to market participants**
- **Quality of research is low**
- **Transactions costs limit performance**

Performance of Active US Equity Managers

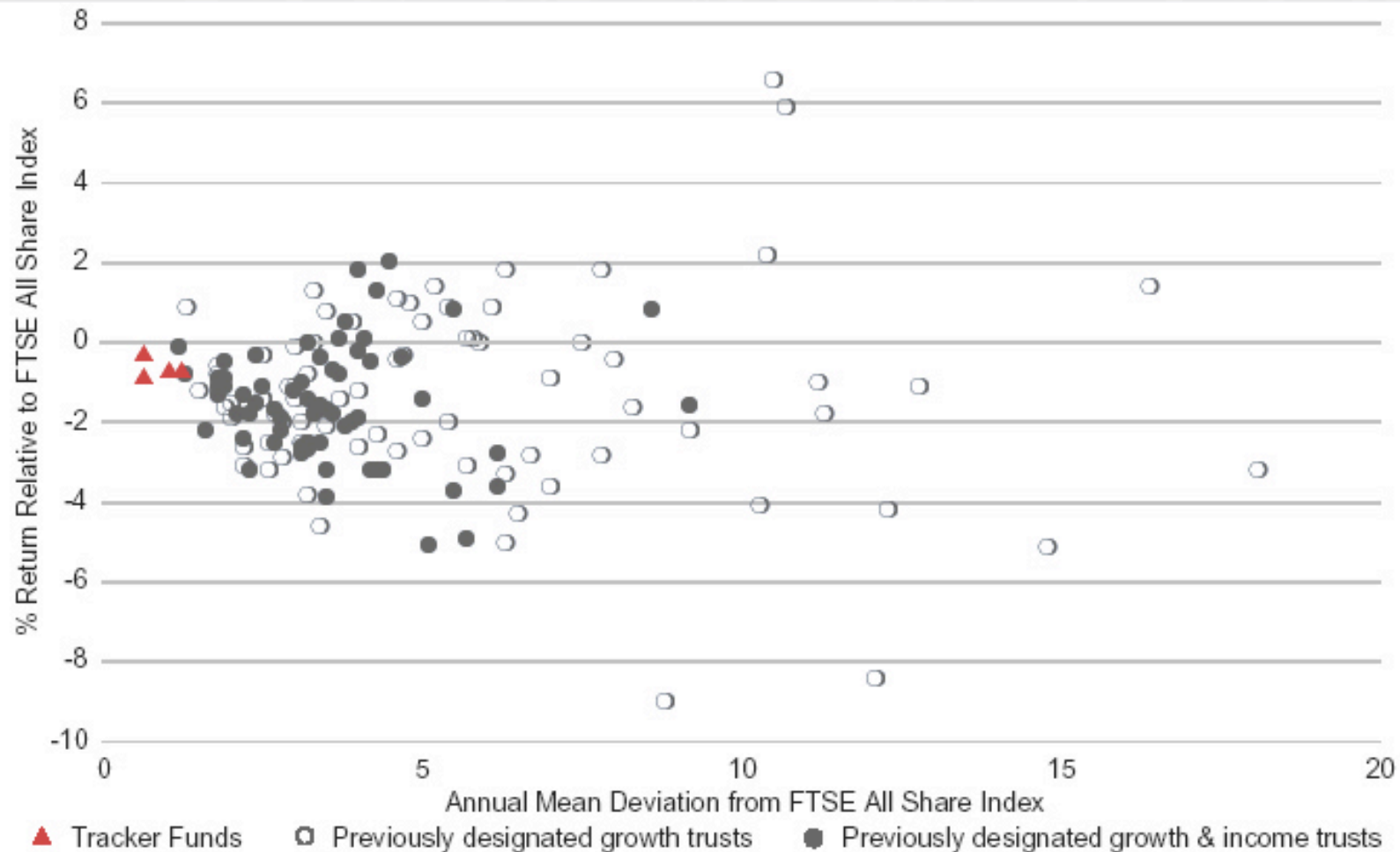
The near term....

Bear-market return, cumulative
(8/2000 through 10/2002)



Source: Morningstar

10 Years Annualized Returns and Volatility In UK

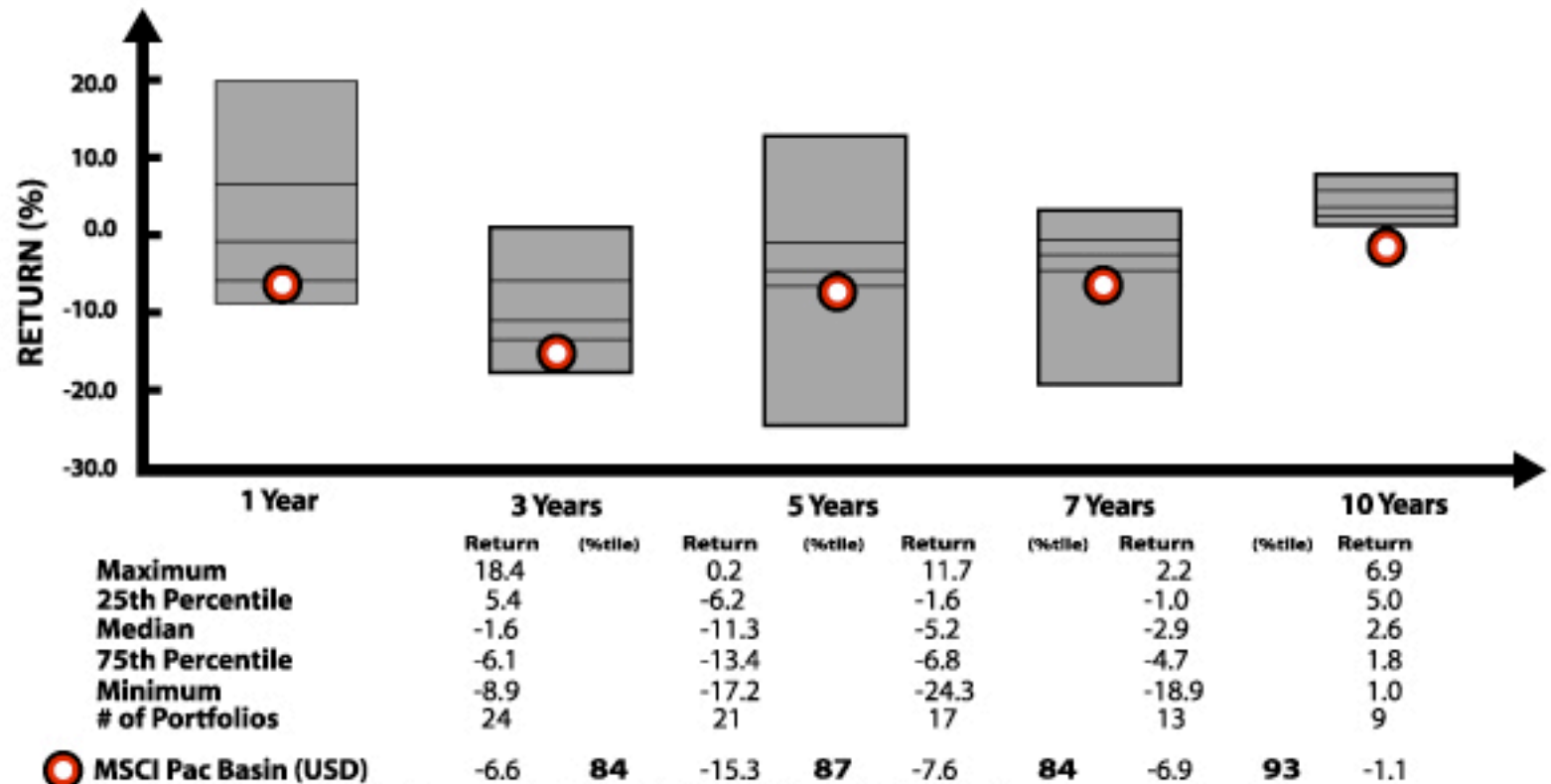


Source: WM Research and Consultancy

In inefficient markets active managers can add value

Pacific Basin Equity Portfolios (USD)

Ending
30 September
2002



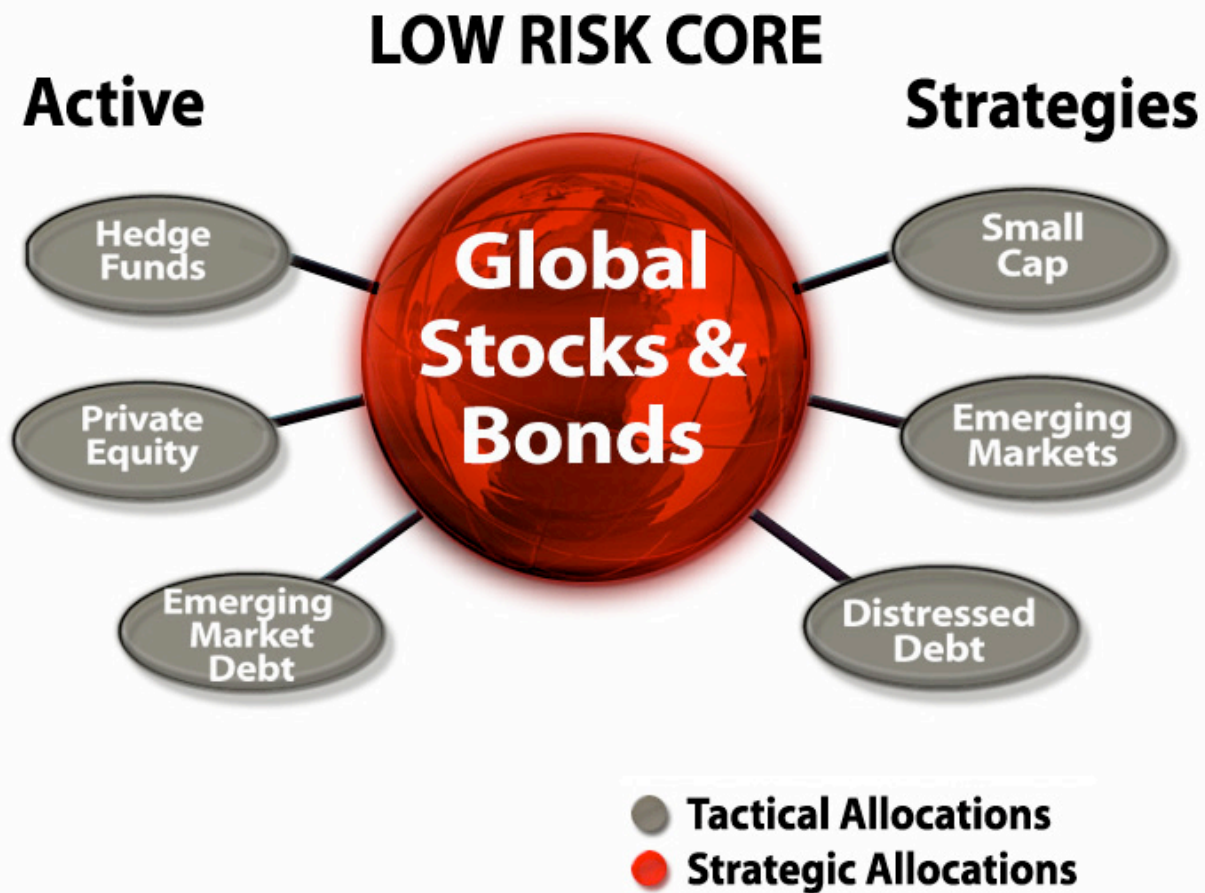
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Investment Process

- **90% of performance is determined by asset allocation**
- **Polygon's global, top-down process focuses on investing in the appropriate asset classes and markets**
- **Valuation and macro economic trends are emphasized in the decision making process**
- **Exposure to major equity markets is passive**
- **Depending on appetite for risk active allocations to smaller markets should be considered**

Core Satellite Strategy



Risk Control

- **Diversified across asset classes**
- **Substantial international exposure**
- **Analyze and monitor relationships between markets**
- **Keep turnover low to minimize transaction costs**
- **Limit duration for fixed income securities**
- **Conservative bias**

Custody and Administration

Polygon has established an ongoing relationship with Fidelity which includes:

- **Custody**
- **Execution**
- **Statements**
- **Internet access to portfolio**
- **Check writing and debit cards**

We are also happy to work with custodians of our clients' choosing.

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***Past performance is not a guarantee of future results. Investing in foreign securities may involve additional risks, including exchange rate fluctuations, less liquidity, greater volatility and less regulation.**