Fortune Emerging Manager Program

Devonshire Warwick Partners LLC - DWP Volatility Arbitrage Fund Ltd

Strategy Summary

Devonshire Warwick Partners LLC (DWP) was founded in September 2002 for the purpose of building a multi-strategy hedge fund that would exploit structural mispricings across a range of equity and fixed income markets. The DWP Volatility Arbitrage Fund specifically trades the pricing inefficiency between index options and the individual stock options that make up the index. Pricing inefficiencies between individual stock and index options exist because there are different participants trading each. The combination of a buying bias in index options and a selling bias in individual stock options tends to lead to index options being over-priced relative to the component options. Because the spread relationship between index options and its component stock options is unlikely to narrow in the short term, the primary source of income generation is derived from positive net carry (coupon yield less dividend yield on short stocks) as well as profits from delta trading. In other words, as equity prices rise, the option delta rises and the manager needs to sell more of the stock to maintain the hedge and vice versa when equity prices fall. This means that the manager is selling the stock when the price goes up and buying it back when the price goes down. This continual round of buying at a low price and selling at a high price generates a profit.

Manager
Anthony Glickman

Target Return and Risk Control

Target: 18 to 20% return with volatility of less than 10%

The purpose of the DWP Volatility Arbitrage Fund is to generate attractive risk-adjusted returns on an absolute basis through the creation of portfolios of inconsistently priced equities, equity-related securities and their derivatives. The fund will trade only in the most developed and transparent markets. The fund will not seek to exploit directional moves in the equity markets and will be consistently market neutral on a delta-basis.

Risk control is an integral component of the strategy achieved through conservative exposure levels relative to fluctuations in the combined spread/hedge position. The strategy combines market inefficiency-the tendency for stock index options to be overpriced relative to the component options-with hedges that protect against interim adverse price moves in the spread relationship between the two.

The fund achieves risk protection against short-term aberrations by setting its exposure on the arbitrage low enough so that even extreme circumstances will result in a controllable loss.

Fund Structure

Structure:	Cayman Islands investment company
Management Fee:	1.50%
Incentive Fee:	20%
Hurdle Rate:	No
Reporting Style:	Monthly
Minimum Account:	$5 million (EMP share class $1 million)
Lockup:	3% redemption fee first year, 2.5% thereafter (EMP share class 1.5% thereafter)
High Water Mark:	Yes
Redemption Notice:	30 days prior to quarter end (EMP share class monthly liquidity with 30 days notice)
Prime Broker:	Spear Leeds and Kellogg
Administrator:	GlobeOp Financial Services (EMP share class is administered by Citco Fund Services)
Auditor:	Rothstein KassLegal
Counsel:	Willkie Farr & Gallagher, New York
Placing Agent:	Fortune Asset Management Ltd

Investment Professional Biographies

Anthony S. Glickman
Mr. Glickman is the Chief Executive Officer and Chief Portfolio Manager for Devonshire Warwick Partners LLC directing all of the trading by the Investment Manager on behalf of the Fund. From January 1996 thru February 2002, Mr. Glickman served as Senior Vice President - Strategic Risk Management and then Global Head of Corporate Treasury for Canadian Imperial Bank of Commerce. From January 1994 thru December 1995 he served as Senior Managing Director-Global Head of Proprietary Trading of the International Markets Group for CIBC-Wood Gundy. From 1991 to 1993, he served as President of Devonshire Partners, an investment advisor and risk consultancy. From 1986 thru 1991 he founded and managed an arbitrage-oriented boutique specializing in fixed income and commodities arbitrage. From April 1983 thru April 1986, he was employed by Chemical Bank, New York, New York serving as Managing Director-Global Head of Arbitrage Trading and as President of Chemical Futures, Inc. From March 1980 thru March 1983, he held various trading positions at Bankers Trust, New York.

Dr. Georges R. Courtadon
Dr. Courtadon joined Devonshire Warwick Partners as Executive Vice President and Chief Risk Officer. Most recently, Georges served as Managing Director and Head of Risk Control for CDC IXIS in New York. Prior to joining CDC, Georges was Principal and Head of Equity Derivatives Research at Morgan Stanley before moving to its firm wide Risk Management Division. Dr. Courtadon holds a PhD in Finance from Northwestern University and is a graduate of ESSEC. Dr. Courtadon was Assistant Professor of Finance, Stern School of Business at New York University from 1981-1986.

Subscription details

HSBC Bank New York
SWIFT: MRM DUS33
Fed Wire No.: 021001088
Account Name: Citco Bank Nederland N.V. Dublin Branch
Account Number: 000306487
SWIFT: CITCIE2D
For further CR: Emerging Manager Program Limited - DWP Class Re: Investors Account
Account Number: IE17CITC00000020982801

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Unique Characteristics

Highly Experienced Team: The DWP team is made up of highly seasoned investment and business professionals. Tony Glickman, the founder, has over 25 years of trading experience, most recently at Global Head of Corporate Treasury for Canadian Imperial Bank of Commerce and prior to that as Senior Managing Director-Global Head of Proprietary Trading for CIBC-Wood Gundy, as founder of an arbitrage hedge fund boutique specializing in fixed income and commodities arbitrage and as Managing Director-Global Head of Arbitrage Trading, Chemical Bank and as President of Chemical Futures, Inc.

World Class Business Infrastructure: In setting up this business, Tony has placed great emphasis on assembling first class investment and business infrastructure around him. On the business side, Tony appointed Neil A. Rackoff, former President of Friedberg Mercantile Group, Inc., where he ran the U.S. broker/dealer operations, structured and directed the offshore fund program and headed the new manager development program.

Strong Emphasis on Risk Control: Tony has employed George R. Courtadon to be in charge of risk management for the Fund; a 30-year veteran of risk oversight and management, George was formerly Managing Director and Head of Risk Control at CDC IXIS and Principal and Head of Risk Management Research (among other positions) at Morgan Stanley.

A Unique Investment Approach: The strategy edge is clearly defined in that it is based on extracting profits from specified market inefficiency. The DWP approach appears to be unique- i.e., although others trade on the same underlying intermarket relationship, DWP's approach is substantively different from that of the other market participants.

Loss Avoidance in Difficult Markets: During periods of higher risk, the manager may overlay supplementary options positions on the base strategy for added protection from loss. The fund achieves risk protection against short-term aberrations by setting his exposure on the arbitrage low enough so that even extreme circumstances will result in a controllable loss (i.e., singe-digit maximum drawdown).