Syracuse Funding EUR Limited Collateralised Fund of Hedge Funds Obligations

CFO / Global

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody’s as of [11 December 2007]. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody’s will endeavour to assign definitive ratings to this transaction. The definitive ratings may differ from the provisional ratings set forth in this report. Moody’s will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.

Estimated Closing Date
25 February 2008

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Moody's Investors Service

PROVISIONAL (P) RATINGS

<table>
<thead>
<tr>
<th>Class</th>
<th>Rating</th>
<th>Amount (million)</th>
<th>Scheduled Maturity</th>
<th>Legal Final Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Facility</td>
<td>(P)[Aaa]</td>
<td>€10.6</td>
<td>February 2018</td>
<td>May 2018</td>
</tr>
<tr>
<td>Class A</td>
<td>(P)[Aaa]</td>
<td>€19.1</td>
<td>February 2018</td>
<td>May 2018</td>
</tr>
<tr>
<td>Class B</td>
<td>(P)[Aa2]</td>
<td>€3</td>
<td>February 2018</td>
<td>May 2018</td>
</tr>
<tr>
<td>Class C</td>
<td>(P)[A1]</td>
<td>€2.1</td>
<td>February 2018</td>
<td>May 2018</td>
</tr>
<tr>
<td>Class D</td>
<td>(P)[Baa1]</td>
<td>€3.4</td>
<td>February 2018</td>
<td>May 2018</td>
</tr>
<tr>
<td>Class P</td>
<td>NR</td>
<td>€8.5</td>
<td>February 2018</td>
<td>May 2018</td>
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</tbody>
</table>

The ratings address the expected loss posed to investors by the legal final maturity on the principal and interest. Moody’s ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction
– Good diversification of the portfolio in terms of strategies and asset classes
– Careful selection of the managers

Weaknesses and Mitigants
– Market-value triggers only apply to Class D; however, this has been modelled and the structure provides sufficient credit enhancement to more senior tranches
– Interest rate risk due to potential rise in interest rates; however, this risk will be mitigated through the purchase of an interest rate cap
STRUCTURE SUMMARY

Issuer: Syracuse Funding EUR Limited
Structure Type: Collateralised Fund of Hedge Funds Obligations (CFO)
Interest Payments: Semi-annually in arrears each [February, August]
Principal Payments: Sequential
Collateral Manager: Hypercube Portfolio Management Ltd
Collateral Administrator: The Bank of New York
Notes & Security Trustee: BNY Corporate Trustee Services Limited
Calculation Agent: The Bank of New York
Principal Paying Agent: The Bank of New York
Initial Interest Rate Cap Provider: Natixis
Arranger: Natixis

INVESTMENTS GUIDELINES

Fund: Hypercube Syracuse IC

<table>
<thead>
<tr>
<th>Initial Funds of Funds</th>
<th>Launch Date</th>
<th>Total Assets (billion USD)</th>
<th>Size in the Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arden Alternative Advisors</td>
<td>1993</td>
<td>2.88</td>
<td>10%</td>
</tr>
<tr>
<td>Blue Elite Fund</td>
<td>2003</td>
<td>0.62</td>
<td>5%</td>
</tr>
<tr>
<td>GEMS Recovery Fund</td>
<td>2002</td>
<td>5.30</td>
<td>10%</td>
</tr>
<tr>
<td>KGH Fund Ltd-Licorne</td>
<td>1998</td>
<td>1.00</td>
<td>10%</td>
</tr>
<tr>
<td>Liongate Multi-Strategy</td>
<td>2004</td>
<td>1.44</td>
<td>15%</td>
</tr>
<tr>
<td>Nemrod Diversified Holdings</td>
<td>1993</td>
<td>1.62</td>
<td>10%</td>
</tr>
<tr>
<td>Permal FX, Financial &amp; Futures</td>
<td>1992</td>
<td>9.00</td>
<td>15%</td>
</tr>
<tr>
<td>SAIL Pacific Explorer</td>
<td>2004</td>
<td>0.397</td>
<td>5%</td>
</tr>
<tr>
<td>Fund of Funds 9*</td>
<td>2002</td>
<td>1.99</td>
<td>15%</td>
</tr>
</tbody>
</table>

* The manager of this fund does not want its name to be publicly communicated; however, we have obtained all the required information.

Liquidity Profile:

<table>
<thead>
<tr>
<th>Number of days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min. 15%</td>
</tr>
<tr>
<td>Min. 30%</td>
</tr>
<tr>
<td>Min. 50%</td>
</tr>
<tr>
<td>Min. 60%</td>
</tr>
<tr>
<td>Min. 80%</td>
</tr>
<tr>
<td>Min. 90%</td>
</tr>
<tr>
<td>Min. 100%</td>
</tr>
</tbody>
</table>

INITIAL OVER-COLLATERALISATION TESTS

<table>
<thead>
<tr>
<th>Test</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum OC</td>
<td>[116%]</td>
</tr>
<tr>
<td>Back in compliance OC</td>
<td>[120%]</td>
</tr>
<tr>
<td>Minimum Net Worth Test</td>
<td>[111%]</td>
</tr>
<tr>
<td>Re-leverage trigger</td>
<td>[125%]</td>
</tr>
</tbody>
</table>
TRANSACTION SUMMARY

Syracuse Funding EUR Limited (the “Issuer”), a Jersey-based SPV, will issue liabilities totalling EUR 42.5 million. The net proceeds, after deduction of any costs payable on the issue date, will be invested in Participating Shares (the “Syracuse Cell Units”) of Hypercube Syracuse IC (the “Syracuse Cell”), an incorporated cell of Hypercube Investments Limited ICC. Other Syracuse Cell Units may be purchased after the closing date with the proceeds of further issuances.

Interest and principal payments on the Notes will be made through the redemption of Syracuse Cell Units and, in certain circumstances, drawings under the Credit Facility Agreement.

The notes are expected to be redeemed at the scheduled maturity date with the liquidation proceeds of the Syracuse Cell Units. The priority of payments among the different classes is sequential such that the Class A investors will be repaid first. Following the full redemption of the Class A Notes, the Class B Notes will be redeemed. The Class C Notes will be redeemed after the full redemption of the Class B Notes. The Class D Notes will be redeemed after the full redemption of the Class C Notes. Finally, the Class P Notes will be redeemed after the full redemption of the Class D Notes.

The following chart depicts the overall structure of the transaction:

![Transaction Diagram]

A market-value securitisation based on the NAV of the Syracuse Cell

The notes will be collateralised by Syracuse Cell Units such that the amount of units purchased will be approximately equal to the amount of Notes issued after deduction of any costs payable on the issue date. The Syracuse Cell is exposed to various hedge funds of different strategies and managers, through investment in several funds of hedge funds (see the section entitled “Hypercube Syracuse EUR IC”).
If the market-value of the Syracuse Cell Units were to drop below a certain level and such a drop could not be cured within a certain time frame, then the overcollateralisation tests may be hit. As a consequence, an amount of shares calculated to be sufficient to cover the shortfall would be redeemed and, after the receipt of these proceeds, the Notes will be redeemed in sequential order. Investors are exposed to the effective redemption price of the Syracuse Cell Units given that the Syracuse Cell is subject to certain liquidity constraints which may lead to a relatively long waiting period between the date of sale and the date on which the liquidation proceeds are effectively received (see section entitled “Special Concerns”).

**HYPERCUBE SYRACUSE EUR IC**

Hypercube Investments Limited ICC is incorporated in Jersey as an exempt company with limited liability and as an incorporated cell company. Hypercube Syracuse IC – the Syracuse Cell – is an incorporated cell of Hypercube Investments Limited ICC. It will use the proceeds of the Notes to purchase shares in funds of hedge funds. It may also have a limited exposure to direct hedge fund investments. The only source of funds available to the Syracuse Cell to fund redemptions of the Syracuse Cell Units will be from the redemption of these shares.

The Syracuse Cell will appoint Hypercube Portfolio Management Ltd as its Collateral Manager. The Collateral Manager’s role is to adjust the leverage, in order to maximise the investment return to the Issuer, by determining the number of Syracuse Cell Units to be held by the Issuer, as well as the amount drawn on the Credit Facility, in accordance with the management guidelines (including the market-value tests).

**THE MANAGERS**

Investors are exposed to the market value of several funds of funds through the investment in Syracuse Cell Units. Our quantitative rating analysis was hence supplemented by an assessment of the underlying funds of funds managers.

Our approach to assessing the qualitative nature of the underlying funds of hedge funds in the portfolio was done in three parts:

1) An assessment (through interview) of the staff and processes in place at Natixis and the Collateral Manager that are involved in the various aspects of the management of this CFO. Staff were assessed on the basis of their knowledge and experience, and the processes for there appropriateness and rigour.

2) Due diligence material and additional relevant information for each of Syracuse’s proposed fund of hedge funds investments were assessed by Moody’s. This, in conjunction point (1) above and point (3) below, as well as the reputation and track records of the majority of the fund of hedge funds in the portfolio were deemed as sufficient for the assessment.

3) On-site reviews of two funds of funds. We have reviewed both the investment and risk management processes and as well as the administrative procedures. Additional areas of focus in this evaluation included the following points:

   (i) Number of years the managers have been in the fund of funds business and the experience of their key staff,

   (ii) The Due Diligence Process adopted by the managers when selecting hedge funds,

   (iii) Monitoring and fraud detection ability,

   (iv) Historical risk-return profiles, and

   (v) Documentation

Overall the quality, track-record, size and reputation of the managers that make up the "core" of the Syracuse portfolio seem to be appropriate for the investment strategy proposed by the Collateral Manager. The Collateral Manager (in addition to the team at Natixis) is well versed, experienced and knows several of the proposed funds of funds well from previous deals and appear to be capable of conducting the day-to-day management of Syracuse. In addition, the global portfolio seems reasonably diversified as can be seen in the following chart:
SPECIAL CONCERNS

Hedge Funds
Hedge funds are widely unregulated instruments. Hedge fund managers are generally permitted to invest in a large variety of investments including equities, bonds, commodities and derivatives. They may also be allowed to create leverage and engage in both long and short positions. Hedge funds are private, unregulated vehicles with restrictive redemption provisions. A hedge fund portfolio therefore could be much more volatile and less liquid than other investment portfolios. Investors in hedge funds are also at greater risk of fraud due to the funds’ unregulated nature. The performance of a hedge fund depends greatly on the experience and the integrity of its manager as well as the strategies the manager employs.

To mitigate these risks, the CFO will be required to adhere to investment guidelines that are deemed to ensure that the final portfolio is well diversified across fund managers, strategies and liquidity profiles. Those constraints will not be enforceable at the level of the underlying hedge funds of funds of funds but at the level of Syracuse Funding EUR Limited. An uncured breach of these guidelines could trigger the liquidation of the portfolio and the redemption of the Notes.

Liquidity for the CFO
Generally, a major risk component in a CFO structure is the liquidity of the underlying fund as a CFO is a market value-based instrument. The liquidity of the Syracuse Cell depends on the liquidity of the underlying exposures, i.e. the various hedge funds that compose the portfolio. The liquidity constraints embedded in the CFO Structure have been constructed around the liquidity commitments of the underlying hedge fund exposures. Investors will notice that a significant portion of the portfolio is exposed to a liquidity constraint of six-months or even longer. At the time a sale order is placed, it is therefore difficult to assess the actual price at which the Syracuse Cell Units will be sold.

As a protection against the liquidity risk, and in addition to the liquidity constraints, the CFO structure also includes overcollateralisation ratios, expressed here as Loan To Value (LTV) ratios. These LTV ratios, calculated as the ratio between the current principal amount of Notes and the current market value of Syracuse Cell Units, are intended to anticipate the sale of units in a context whereby the performance appears to be negative. Any breach of the overcollateralisation levels will effectively lead to the sale of units and ultimately, once the sale proceeds are received, to the redemption of the Notes.
MOODY’S ANALYSIS

The ratings assigned by Moody’s reflect the expected losses posed to liability holders. To determine these expected losses, Moody’s has employed a Monte Carlo simulation approach. We generate the time series of the returns of the underlying hedge funds according to a random process. The monthly net asset value of the portfolio can then be calculated and applied in the waterfall, including the overcollateralisation tests, such that an interest and principal shortfall can be calculated for each Note in that given scenario. We repeat this calculation for a significant number of runs and then calculate the average of these shortfalls in order to compute an expected loss. The rating is then derived by benchmarking the calculated expected loss and the expected average life of the Notes to the idealised expected loss table.

We obtained the parameters that define the random process of the fund/strategy returns by stressing the historical performance of the underlying funds/strategies in the portfolio. We have incorporated correlation assumptions based on the historical correlation coefficients observed across funds and strategies. We have also assumed the following variation and stresses:

- The volatility of the return series of the funds/strategies were stressed by factors that depend on the desired ratings of each notes;
- The correlation coefficients were stressed to capture the highly correlated behaviour of hedge funds at the time of a stressful market environment;
- Each hedge fund had a probability of a direct crash, incorporating fraud or other stressful events;
- The liquidity profile of the portfolio was stressed to evaluate the sensitivity of the CFO to liquidity effects.

RATING SENSITIVITIES AND MONITORING

Moody’s will monitor the transaction on an ongoing basis to ensure that this transaction continues to perform as expected, including checking the NAV of the Syracuse Cell Units. Any subsequent changes in the rating will be publicly announced and disseminated through Moody’s Client Service Desk.

Quantitative analysis of the future volatility of asset value

Historical fund data used to obtain the expected return and volatility of the Syracuse Cell

Monitoring of the NAV of the Syracuse Cell Units