

SPHERA FUND



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August 2010

Table of Content

I.	Introduction	3	
II.	Team	6	
III.	Investment Strategy	8	
IV.	Performance Metrics	14	
V.	Operation & Risk Management	22	
VI.	Case Studies	24	
VII.	Terms & Structure	30	
VIII.	Appendix	34	
	a.	Israeli Economy	35
	b.	Performance & Stats	45

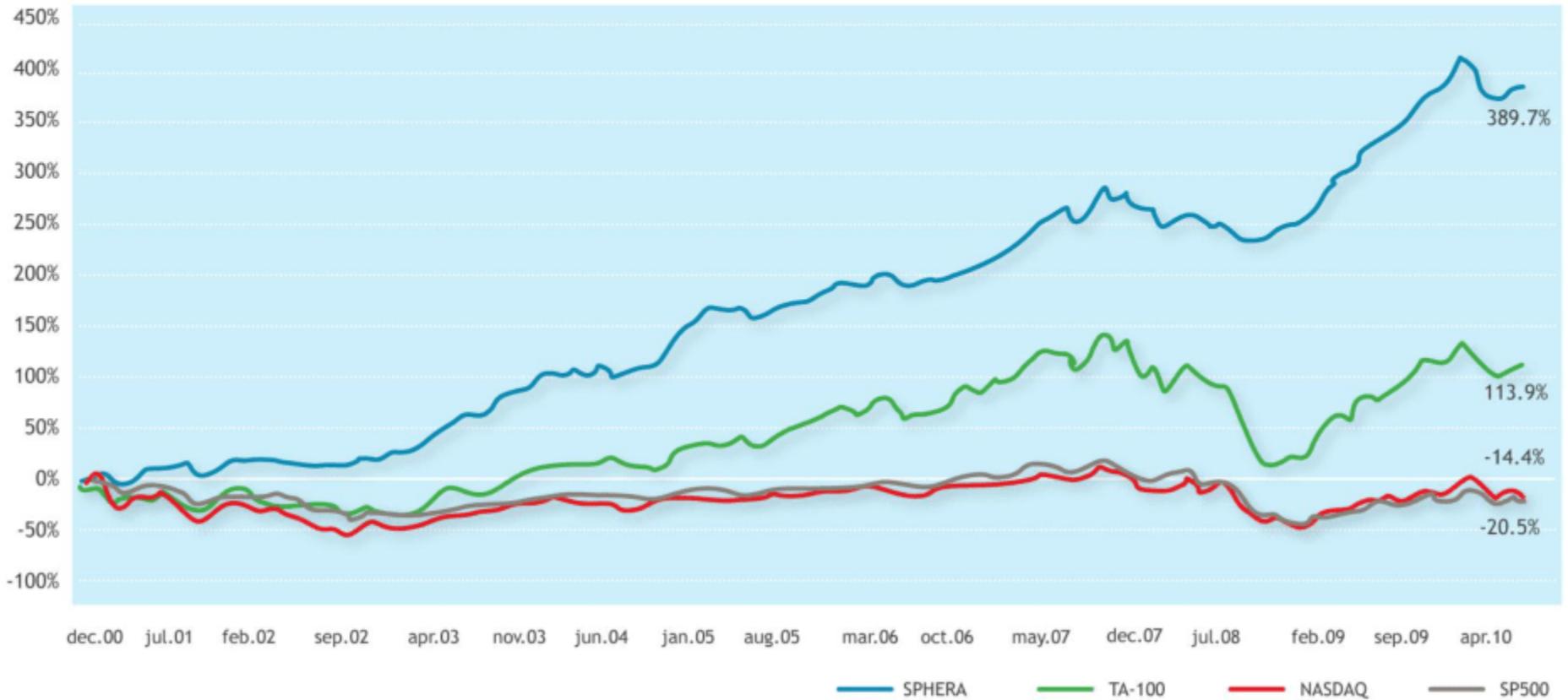
The Fund

- Premier hedge fund manager based in Israel (over \$370M of locally and internationally sourced assets under management)
- Proven track record (17.9% net annual return since 2001)
- Strong management team that has been with the fund for the past 9 years
- 18 staff with 10 investment professionals

Short Listed **HFMWEEK**
"Long/Short equity under \$500m Award"

Cumulative Net Performance

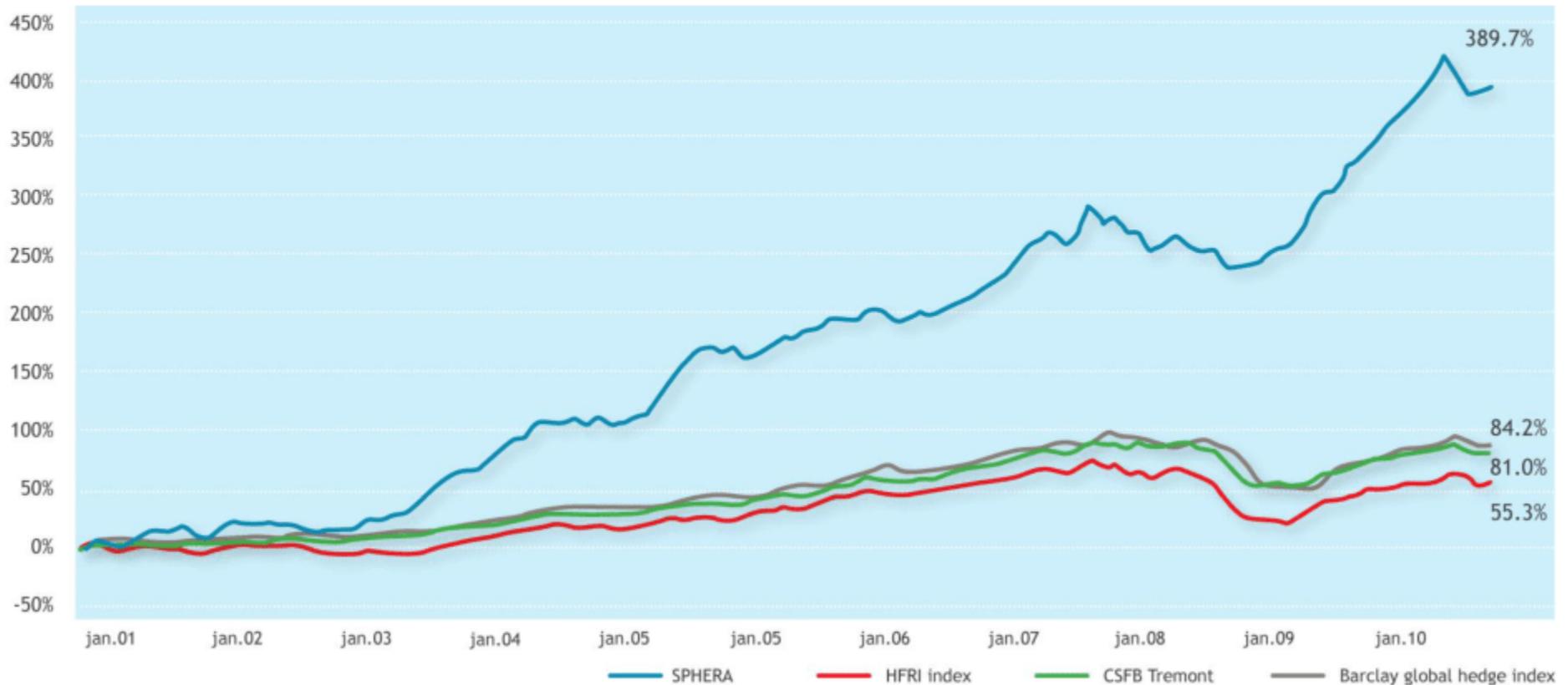
Sphera Fund vs. Equity Indices 2001 – August 2010



*Sphera returns are net of all fees; 2004-present returns are all in U.S. Dollars (portfolio fully hedged); Historical returns for 2001-2003 are presented in Shekels and were audited by KPMG.

Cumulative Net Performance

Sphera Fund vs. Hedge Fund Indices 2001 – July 2010**



*Sphera returns are net of all fees; 2004-present returns are all in U.S. Dollars (portfolio fully hedged); Historical returns for 2001-2003 are presented in Shekels and were audited by KPMG.

** Hedge fund indices are on a monthly basis. Updates are published on the 20th of the following month, therefore, the above returns are updated for the previous month.

Sphera Management

Ron Senator, Managing Partner

- Head of JPMorgan Chase in Israel; responsible for investment banking and asset management business in the Israeli market
- Vice President, investment banking, JPMorgan New York; SG Cowen Securities
- Business development manager, Gilat Satellite Networks
- Yale University, MBA

Israel Mor, Managing Partner

- Managed SF Group's proprietary capital, 1996-2003; returns outperformed all major equity indices each year since 1996
- Senior Investment Manager, Dikla Funds, First International Bank's mutual funds arm
- Investment Advisor, Bank Leumi

Sphera Management

Doron Breen, Managing Partner

- Managing Partner of the Sphera Global Healthcare Fund
- Managed Sphera Fund 2004-2006; returns outperformed all major equity indices
- Managed SF Group's proprietary capital since 2001; returns outperformed all major equity indices
- Managing Director, Investment Banking, SF Group; spearheaded SF's international investment banking practice

Ronen Elgali, Head of Research

- Head of Investment Research Department, Migdal Insurance (Israel's largest insurance company)
- Head of Research Advisory Practice, United Mizrahi Bank
- Senior Research Analyst, Ofek Securities

The Strategy

- Primary focus on Israeli-related equities listed in Israel, US and Europe
- Fundamentally driven, “bottom-up” approach to stock picking with emphasis on in-depth company research
- Exceptional access and understanding of company managements

The Opportunity: “All Weather Approach”

- Capture emerging market-style returns with developed market-style volatility
- Consistent capture of market gains (strong stock picking) and capital preservation in periods of turbulence (careful risk management, shorts and index options)

Value Based Investment Style

“Bottom-up”, fundamental research coupled with close, ongoing dialogue with management

- Highly experienced, multi-sector research capabilities
- Regular direct contacts with company management (c.250 companies)
- Invest only with quality managements with proven track records, transparency and integrity
- Emphasis on companies with established growth and strong earnings prospects (reverse for shorts)
- Opportunistic short positions to profit from overvalued sectors or companies (c.1/2 of shorts)
- Defensive shorting to neutralize adverse market moves (c.1/2 of shorts)

Value Scenarios and Catalysts

- Strong management teams operating quality companies with proven competitive edge and attractive valuations (reverse, plus catalysts for shorts)
- Companies trading below intrinsic value, highly liquid balance sheets with established valuation floors (reverse, plus catalysts for shorts)
- Dislocated trading multiples due to temporary macro concerns (reverse, plus catalysts for shorts)
- Shifts in product cycles and market sentiment
- Restructuring stories, e.g. M&A activity
- VC and Private Equity transitions to market

Investment Process

Sector and company screening

- Review and assess macro trends and market dynamics
- Identify attractive sectors for long/short positions
- Undervalued / overvalued companies (P/E, revenue & profitability, cash flow, balance sheet analysis)
- Value proposition
- Define objectives, triggers

In-depth due diligence

- Strength & depth of management
- "Bottom-up" business and financial analysis
- Competitive positioning (technology, barriers, customers)
- Buy/Sell strength, momentum, sensitivity analysis
- Expert consultants

New investments/ updating positions

- Ongoing dialogue with management
- Quarterly one-to-one meetings
- Update investment thesis and relative value proposition
- Assess risk/reward of position

Exit investments

- Disciplined profit / loss strategy
- Hedge sectors / companies to limit risk
- Opportunistically increase/ decrease positions based on market movements

Intimate access to management teams, robust analytic platform, proven success

Portfolio Construction

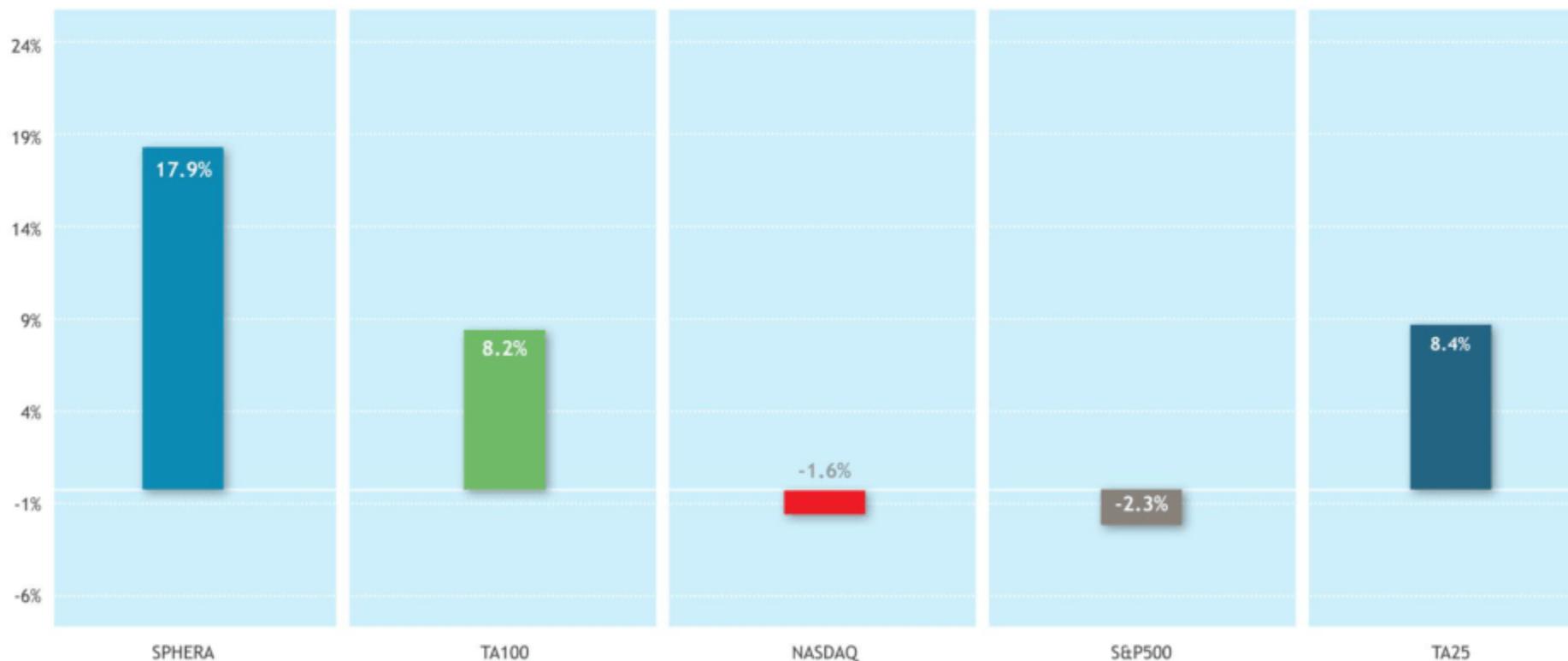
- No of positions 40 - 50
- Position sizes 1% - 3% on entry
- Max position size 15% (typically 10-12%)
- Average market cap. >\$1 billion
- Typical concentration "Core" top 10 holdings = 35% - 45%

- Exposure
- Gross – typical range (min/max) 70% - 110%
- Net – typical range 40% - 60% long
- Net historical range neutral - 80% long
- Turnover c.70%-100% per annum
- Liquidity The entire portfolio can theoretically be liquidated in less than 15 days at a third of daily volume, >50% within 1 day

- Short & Hedging Positions Individual shorts, ETFs, stock and index options. Options for currency hedging

Average Net Annual Returns

Average Net Annual Returns* 2001 – Aug 2010



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Accumulated Performance Comparison

Sphera* vs. Equity Indices 2004 – 2010



*Sphera returns are net of all fees;

Monthly Net Returns

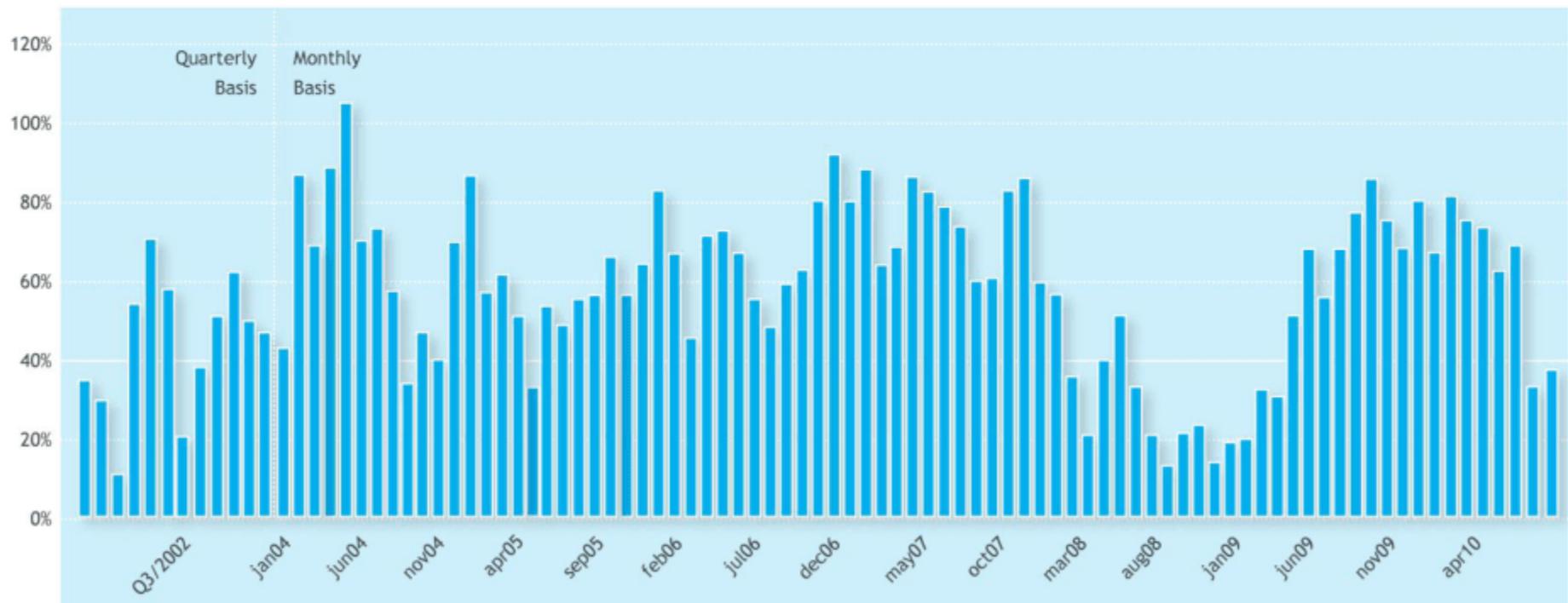
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Sphera	S&P 500	TA 100
2010	1.2%	1.9%	4.4%	-2.0%	-5.3%	-1.0%	2.5%	0.4%					1.9%	-5.9%	-1.7%
2009	3.0%	0.5%	2.5 %	6.0%	4.0%	0.7%	5.3%	1.2%	2.9%	2.4%	2.2%	4.3%	40.7%	23.4%	88.8%
2008	-3.1%	-0.8%	-3.7%	1.3%	2.1%	-2.1%	-1.2%	-0.1%	-4.0%	0.3%	0.3%	1.1%	-9.98%	-38.5%	-51.1%
2007	2.3%	2.1%	2.0%	3.3%	4.0%	1.7%	1.4%	-3.2%	3.2%	5.5%	-2.9%	1.1%	22.1%	3.5%	25.3%
2006	2.7%	-0.3%	-0.3%	3.4%	-0.3%	-3.0%	0.3%	2.0%	-1.0%	2.0%	1.5%	1.5%	8.6%	13.6%	12.0%
2005	3.8%	4.5%	0.7%	-1.2%	0.6%	-3.1%	2.1%	1.5%	3.0%	-0.1%	2.5%	0.7%	16.0%	3.0%	29.4%
2004	7.1%	-0.4%	-0.1%	1.3%	-1.7%	2.6%	-2.7%	0.9%	2.4%	1.1%	8.8%	6.35	28.0%	9.0%	19.0%
2003	4.6%	1.1%	4.5%	6.3%	8.2%	4.9%	2.1%	-0.1%	4.7%	6.2%	3.6%	1.0%	58.3%	26.4%	60.7%
2002	-1.4%	-0.4%	0.9%	-2.5%	0.4%	-2.9%	-1.0%	1.1%	-0.5%	0.8%	5.8%	-0.3%	-0.2%	-23.4%	-25.6%
2001	5.2%	-3.9%	-4.7%	9.6%	5.8%	2.6%	-1.1%	3.9%	-8.0%	-0.8%	5.1%	8.0%	22.0%	-13.0%	-8.7%

*Sphera returns are net of all fees;
2004-present returns are all in U.S. Dollar terms. All investments are \$ hedged; Historical returns for 2001-2003 are presented in Shekels and were reviewed and approved by KPMG.

Net Exposure & Short Contribution

Period	Net Exposure (%)	Long Contribution (% of profit)	Short Contribution (% of profit)	Comments
2001	32%	74%	26%	
2002	47%	-164%	264%	
2003	53%	108%	-8%	
2004	65%	101%	-1%	
2005	58%	123%	-23%	
2006	67%	116%	-16%	Approximately 0% net exposure during and after the Lebanon war
2007	76%	106%	-6%	
2008	33%	-243%	143%	Net exposure of approximately 60% in Q1,2 and 13% in Q3,4
2009	54%	122%	-22%	
Q1 2010	76%	114%	-14%	
Q2 2010	71%	-132%	32%	
Q3 2010	40%	68%	32%	For the months of July & August

Historical Net Exposure

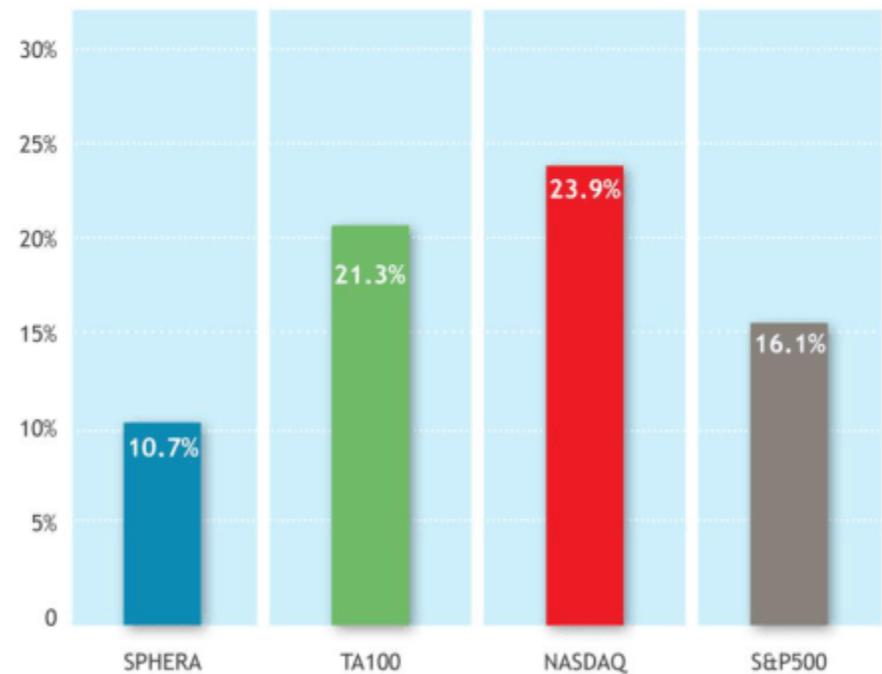


Sphera has Outperformed on a Risk-Adjusted Basis

Sharpe Ratio: Jan 2001 – Aug 2010



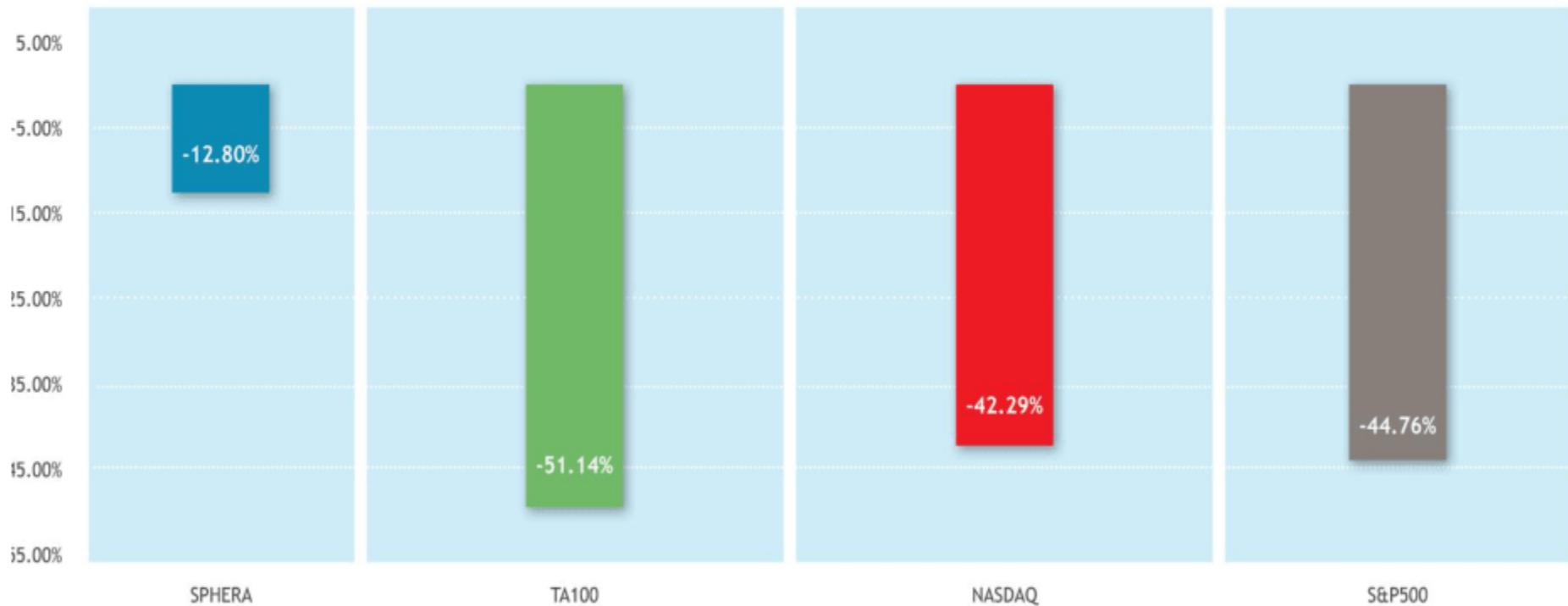
Annualized Std. Deviation: Jan 2001 – Aug 2010



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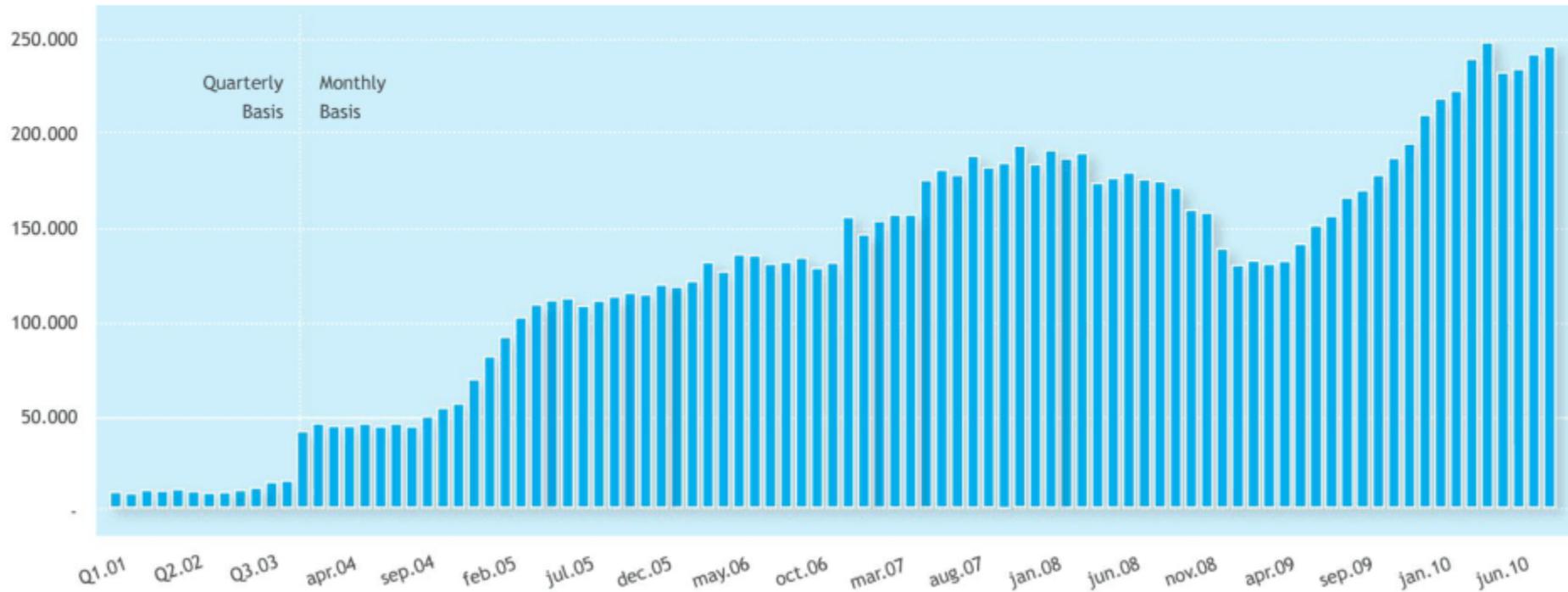
Rolling 12-months performance

Sphera vs. Equity indices: Worst 12 months since 2001



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Sphera Fund - Assets under Management



Disciplined Risk Management

Strict emphasis on risk reduction and diversification tools

- Broad sector diversification and ample liquidity
- Maximum 15% concentration in a single investment
- No foreign currency exposure – portfolio is dollar-hedged (An Israeli Shekel Feeder Fund was launched in July 2008)
- Strict liquidity policy (internal liquidity benchmark)
- No use of leverage
- Manage volatility and exposure through derivatives and options

Disciplined trading strategies

- Frequent use of stop-loss and position hedging
- Using multiple international and local brokers for optimizing order execution and efficiency

Risk Analysis

January 2001 to August 2010

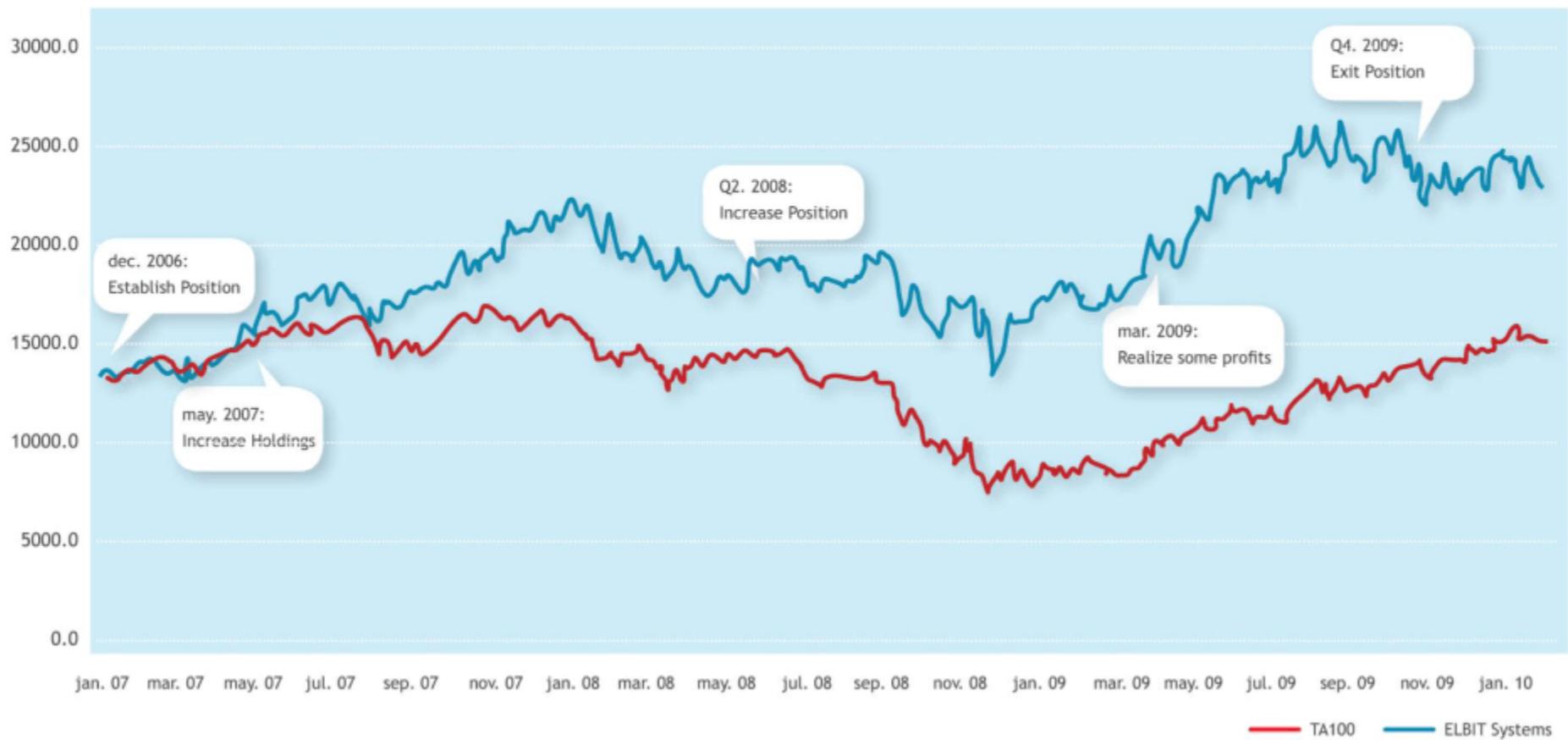
	Sphera	TA100	Nasdaq	S&P500
Compounded ROR	17.9%	8.2%	-1.6%	-2.3%
Mean Return (Monthly)	1.4%	0.7%	-0.1%	-0.2%
% of Positive Months	68.4%	60.7%	52.1%	58.1%
Months Sphera outperformed index when index declined		97.8%	94.5%	91.7%
Months Sphera outperformed index when index gained		18.1%	19.4%	59.4%
Annualized Standard Deviation since inception	10.7%	21.3%	23.9%	16.1%
Correlation		70.7%	61.6%	57.6%
Beta		35.4%	27.5%	35.4%

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Case Study: Elbit Systems Ltd.

- Elbit Systems Ltd. is an international defense electronics company engaged in a wide range of defense-related programs throughout the world
- The company develops, manufactures and integrates advanced high-performance defense electronic and electro-optic systems for its customers
- Elbit systems also focuses on the upgrading of existing military platforms and developing new technologies for defense and homeland security applications
- Among Elbit System's larger clients are the Israeli Defense Force, U.S. military and DoD, and many other security agencies
- The company has been an active consolidator in the Israeli defense industry, investing over \$1 billion in the last few years to scale up and build a truly global defense vendor
- Sphera established an initial position in Elbit Systems towards the end of 2006, following a broad review and analysis of the company's markets, positioning and potential future earning power. Further, we have developed an ongoing close dialogue with Elbit's senior management which provides us with better insight into the business, challenges and opportunities
- Elbit System's market cap is approximately \$3.0B

Case Study: Elbit Systems Ltd.



Case Study: Bezeq Ltd.

- Bezeq is Israel's largest telecommunications service provider. Bezeq and its subsidiaries offer the full range of telecommunication services including domestic, international and cellular phone services; broadband Internet and other data communications services; multi-channel television; leased lines, and corporate networks
- Bezeq has a highly defensive business model with low debt/capital, FCF yield of over 12% and >10% dividend yield
- Following an extensive analysis and research that covered Bezeq's strategic initiatives, cost reduction efforts and expected imminent regulatory relief, we established a meaningful position in 1Q:2008 in the stock with the intention of benefiting from strong dividend yield as well as capital appreciation from expanding multiples. We believe Bezeq is among the best positioned companies to weather the downturn and strengthen its competitive positioning over the next 12-24 months
- Bezeq is traded at \$6.5b market cap

Case Study: Bezeq Ltd.



Case Study: Delek Real Estate

- Delek Real Estate is an international real estate firm engaged in investments in commercial income-yielding properties in Western Europe, Israel and Canada
- The company's portfolio is primarily focused on commercial and office properties in the U.K, Germany, Israel, Switzerland and Canada
- Following a massive assets acquisition strategy during 2005-2007, the company faced an overly leveraged balance sheet with debt comprising more than 90% of the capital structure. The company recently embarked in an aggressive de-leveraging process and assets dispositions
- Having anticipated an industry-wide increase in cap rates as well as intensifying difficulties in refinancing debt, we established a short position in mid-2008 and increased it as we realized the magnitude of the issues in the marketplace
- Subsequent to a steep drop in the stock price during the remainder of 2008, we covered the position in January 2009 as we assessed the stock had hit bottom

Case Study: Delek Real Estate



Terms and Structure

- Annual management fees 1.5% (for US\$ feeder) or 1.75% (for NIS feeder), collected monthly
- 20% performance fees, subject to high water mark
- Minimum investment \$500,000
- Monthly subscriptions and valuations
- Quarterly liquidity with 30 days' notice
- Domicile: British Virgin Island
- Master-feeder structure (can admit US taxable investors)

Who invested in Sphera?

- The largest insurance companies in Israel
- Provident funds and pension funds
- The biggest banks in Israel (Prop Accounts)
- Private wealth management customers of different Banks
- The largest family offices in Israel
- Several tens of investors and wealthy families from Israel, Europe and the US
- Leading fund of funds abroad
- Foundations & Endowments

Service Providers

Administrator:	Citi Hedge Fund Services (Ireland) Limited
Custodian & Prime Broker:	Bank Hapoalim B.M.
Auditor:	KPMG
Legal counsel:	Herzog, Fox & Neeman, Maples and Calder Ropes & Gray (USA)
Tax Trustee:	Rave Ravid, CPA

Transparency – Accounting, Trustees & Auditors

- All of our funds maintain accounts exclusively with regulated banks: Bank Hapoalim and United Mizrahi Bank
- Fund administrator & independent trustee supervise all money transferred in and out of the Funds' accounts to third parties
 - CITI Hedge Fund Services (Ireland) Limited
 - Poalim Trust Services Limited
- The valuation of the Funds assets are supervised monthly by an objective party. Capital accounts are reviewed on a monthly basis by Rave Ravid CPA which is retained by the fund as tax trustee for the Israeli Tax Authorities
- The Funds' auditors are KPMG
- The Fund produces financial reports quarterly and audited reports annually

A

Appendix

The Israeli Economy

The Israeli economy has resumed its fast GDP growth rates

- Mild and brief recession ended in Q2:09
 - 2Q:2010 GDP growth of 4.7%
 - Robust domestic consumption; growing real-estate sector
 - Unleveraged consumer, healthy B/S
 - Export markets bottomed in 2009, shifting weight to EM
- Well-positioned to benefit from global recovery amid lower downside risk (large FX reserves, current account surplus)
- Stable and balanced economy with defensive structure
- Highly attractive valuation multiples vs. developed and developing markets (11xP/E 2010)
Historically low interest rates (1.75%), contained inflation (2-3%) support improving fundamentals and fixed investments

Israel – Recent Economic Highlights

	2008	2009	1Q2010	2Q2010
Real GDP Growth Rate (%)	4.2%	0.8%	3.6%	4.7%
Unemployment Rate (%)	6.1%	7.6%	7.0%	6.2%
Current Account Surplus (% of GDP)	0.7%	3.8%		
Inflation Rate (%)	4.5%	3.3%	-0.9%	1.5%
Business GDP (%)	4.5%	-0.2%	4.6%	6.0%

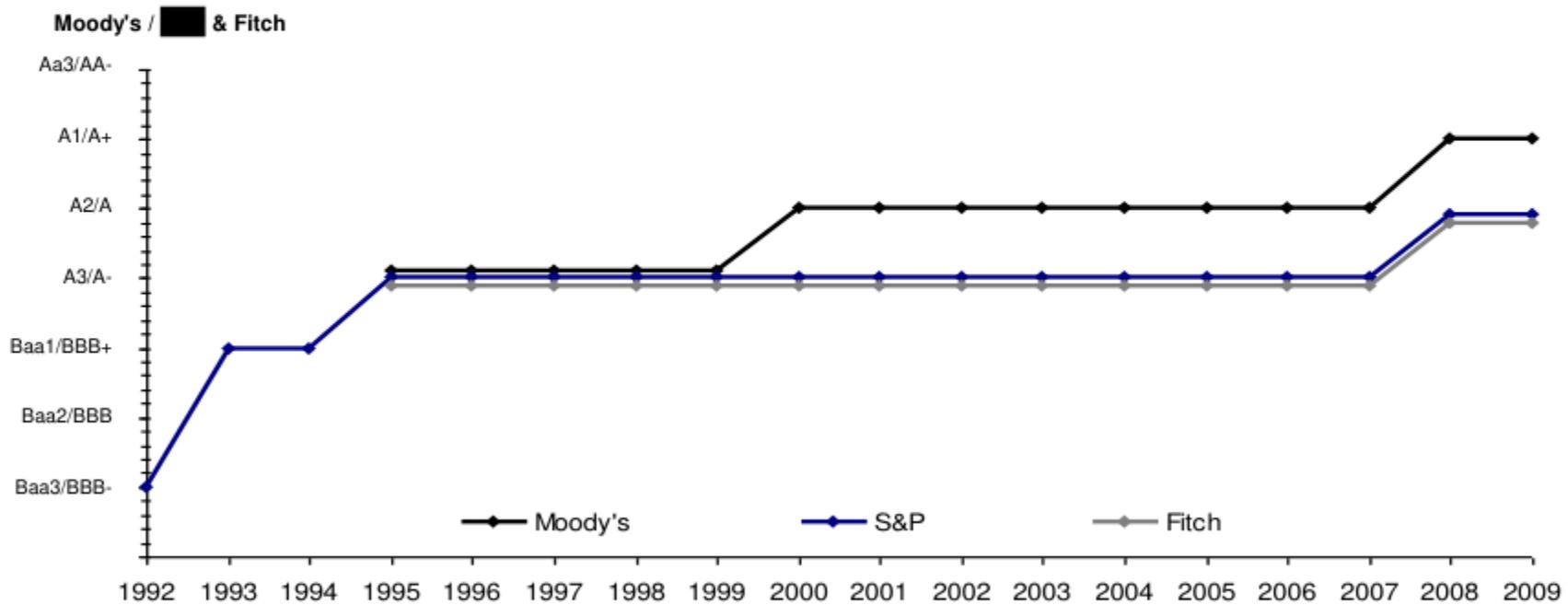
Source: Israel's Central Bureau of Statistics

Israel – Recent Economic Highlights

Rating Firm	Term	Domestic Bonds	Forecast	Overseas Bonds
		Rating		Rating
Moody's	Long	A1	Stable	A1
	Short	-		P1
Standard & Poor's	Long	AA-	Stable	A
	Short	A-1+		A-1
Fitch	Long	A+	Stable	A
	Short	-		F1

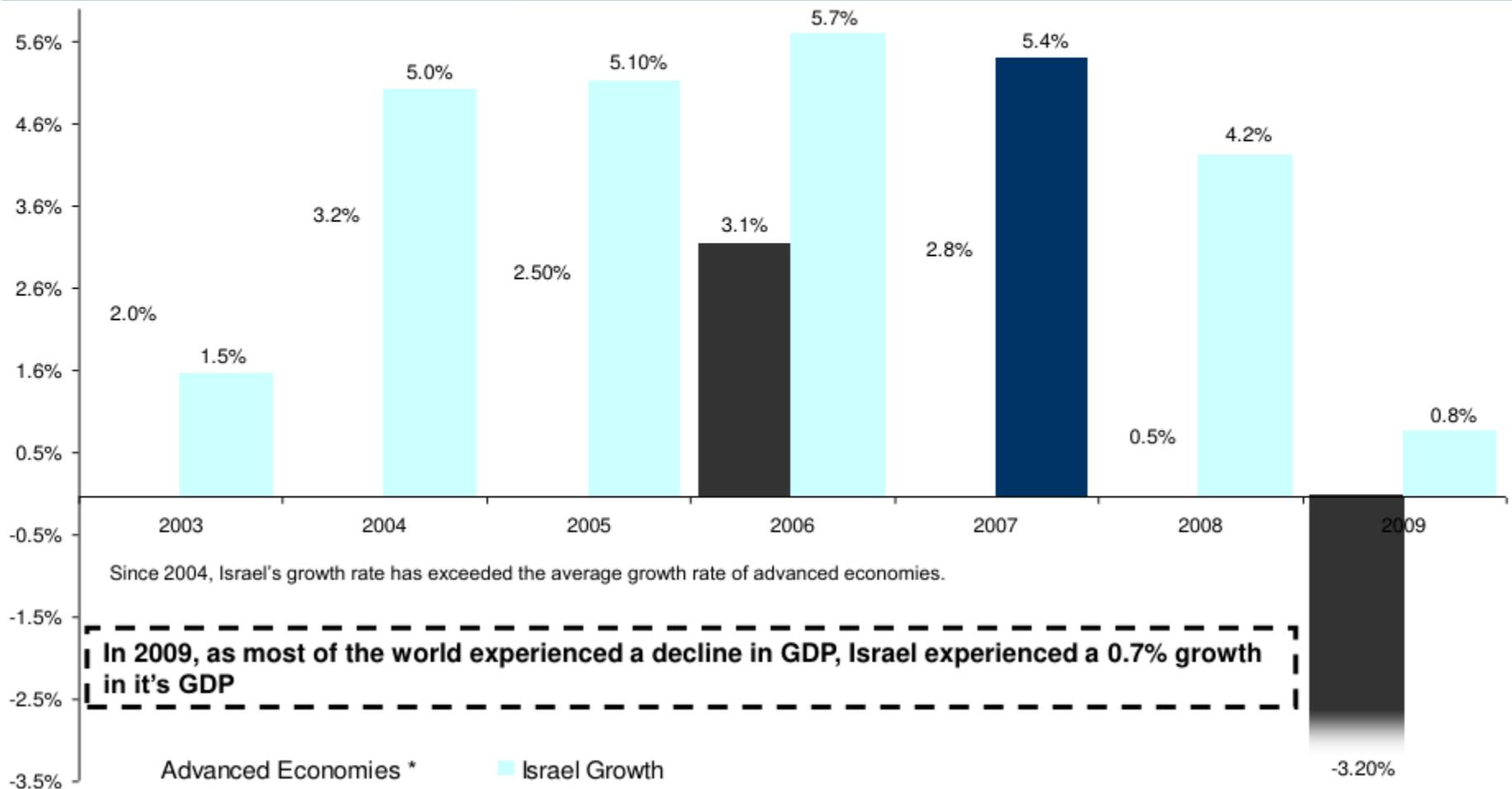
Source: Israel's Ministry of Finance

Israel – Recent Economic Highlights



Source: Israel's Ministry of Finance

Israel – Recent Economic Highlights



Source: Israel's Ministry of Finance

IMD World Competitiveness Yearbook 2010

Israel is **1#** at:

- ✓ Resilience of the economy to economic cycles
- ✓ Central Bank policy
- ✓ Skilled labor
- ✓ Public and private sector ventures
- ✓ Innovative capacity
- ✓ Total expenditure on R&D
- ✓ Business expenditure on R&D

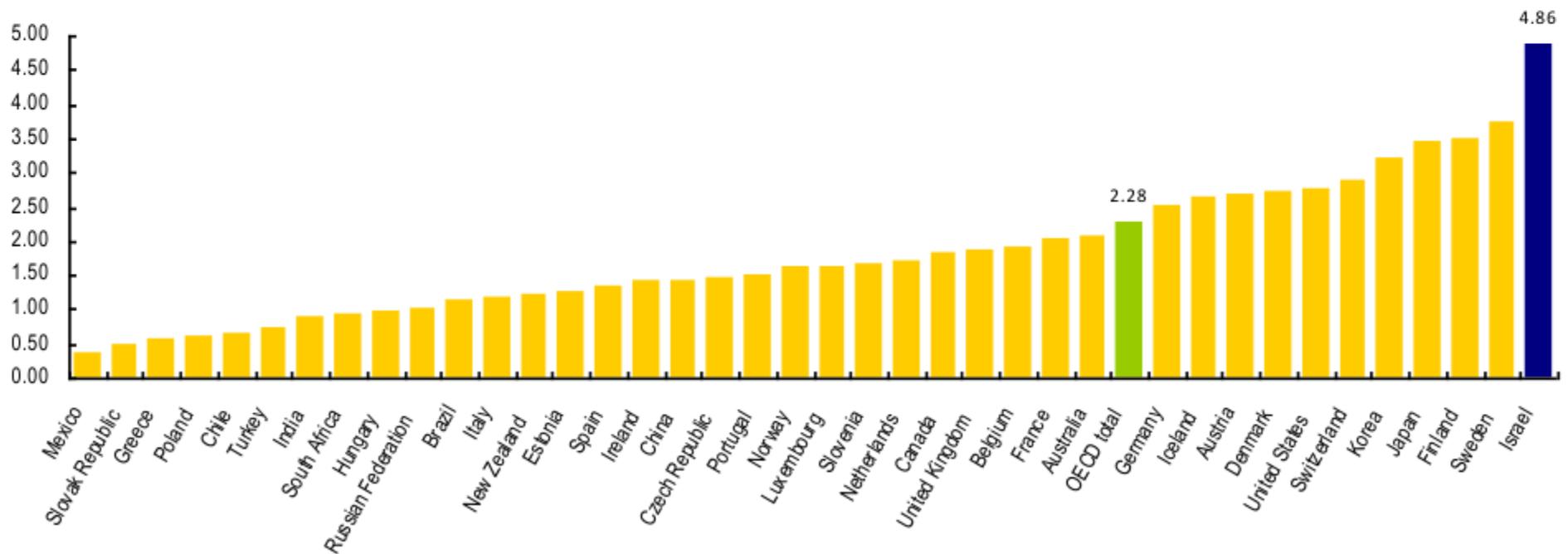
Israel is **2#** at:

- ✓ Youth unemployment
- ✓ Finance skills
- ✓ Entrepreneurship of managers
- ✓ Flexibility and adaptability of people
- ✓ Scientific research (public and private)

Source: International Institute for Management and Development (IMD), World Competitiveness Yearbook 2010

Israel - Expenditure on R&D

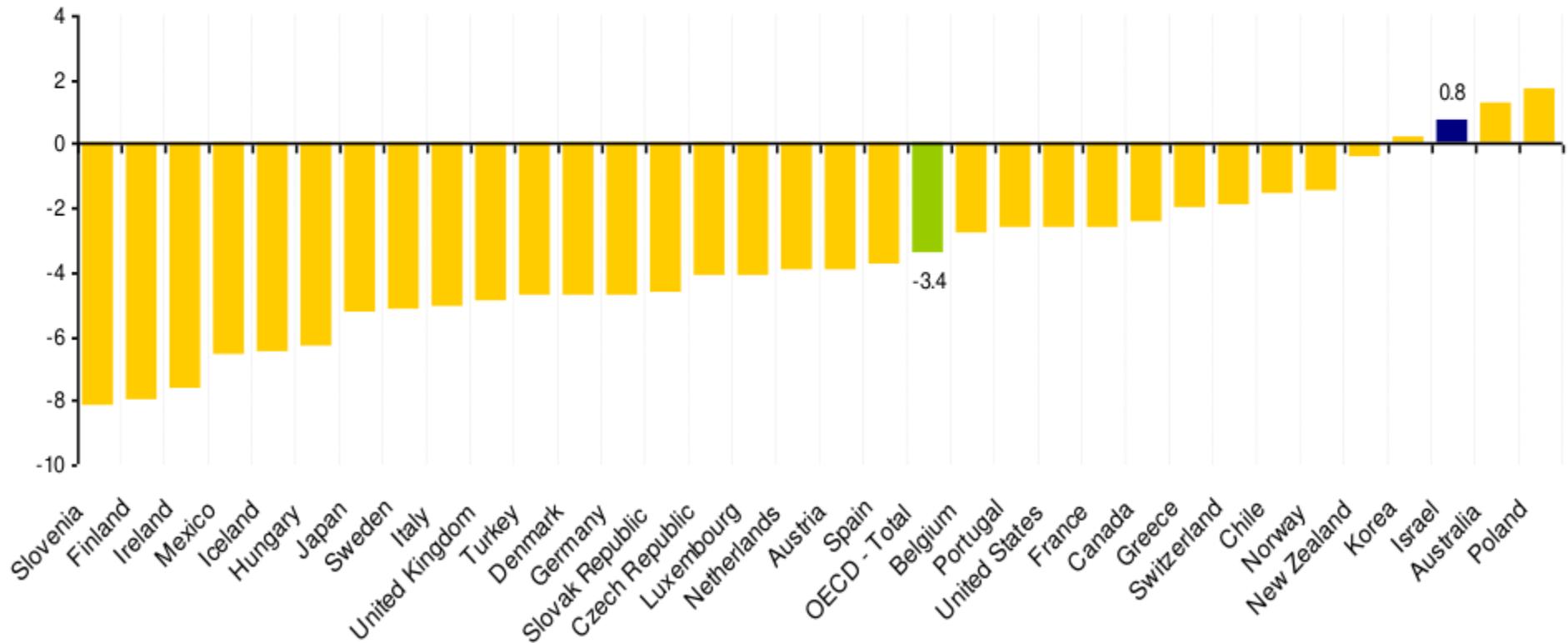
Israel is ranked **1st** of all OECD countries by expenditure on R&D (research & development) as percentage of GDP (4.864 %), demonstrating **innovation, development** and **creativity**. (selected countries, as percentage of GDP, 2008)



Source: OECD

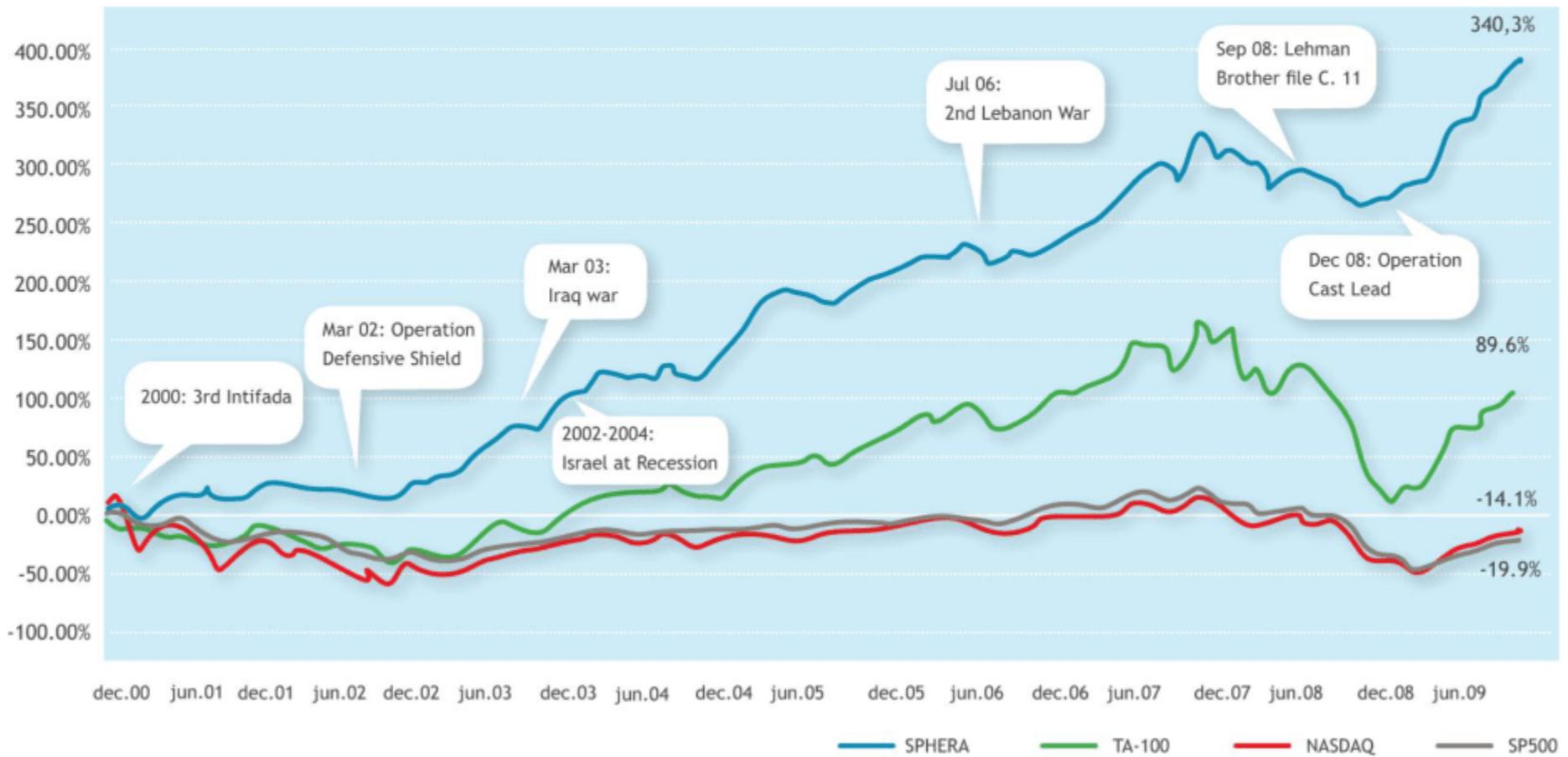
Israel – Real GDP Growth

(selected countries, annual percentage of change, 2009)



Source: OECD

Sphera in light of Political, Financial and Security Events



Sphera's Performance Vs. Hedge Fund Indices

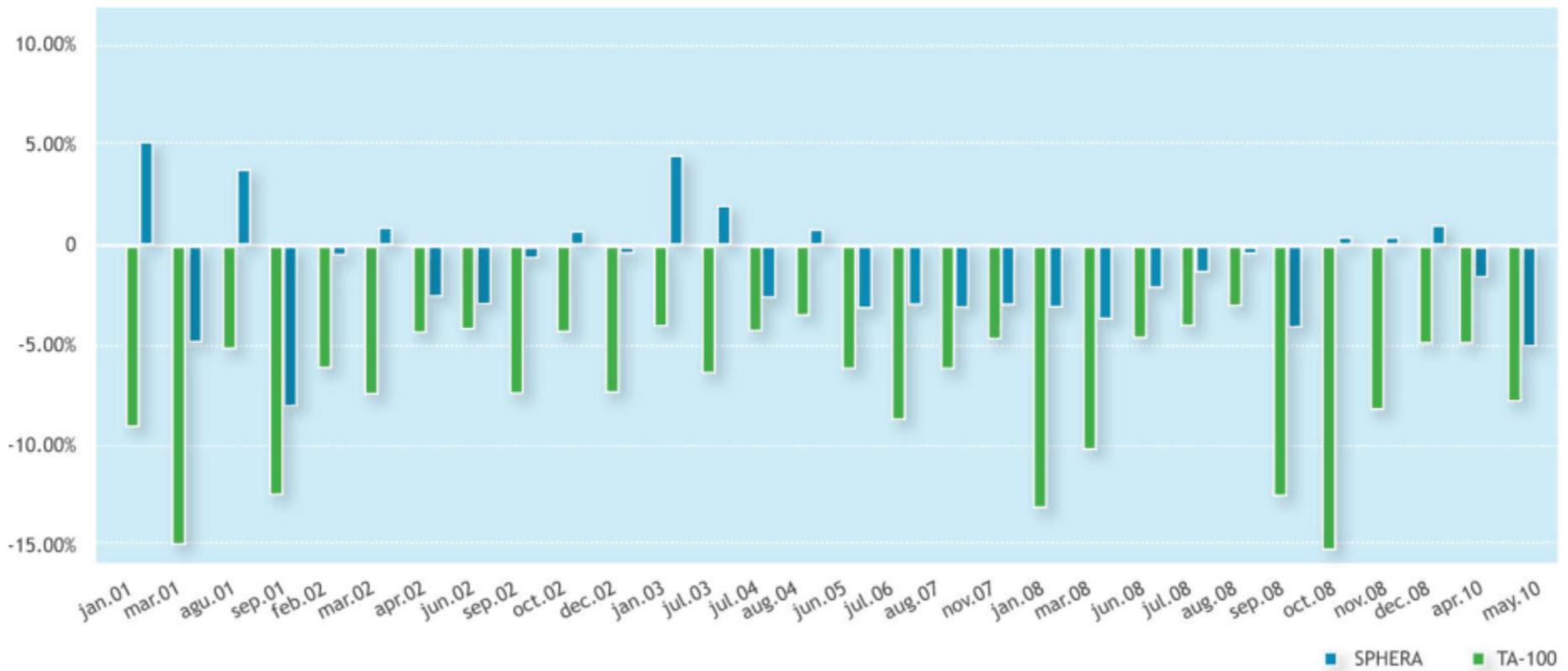
January 2001 to July 2010

	Sphera	CS/T HF Index	CS Long/ Short HF
2010 YTD	1.9%	2.5%	-1.9%
2009	40.7%	18.6%	19.5%
2008	-10.0%	-19.1%	-19.8%
2007	22.1%	12.6%	13.7%
2006	8.6%	13.9%	14.4%
2005	16.0%	7.6%	9.7%
2004	28.0%	9.6%	11.6%
2003	58.3%	15.4%	17.3%
2002	-0.2%	3.0%	-0.02%
2001	22.0%	4.4%	-3.7%

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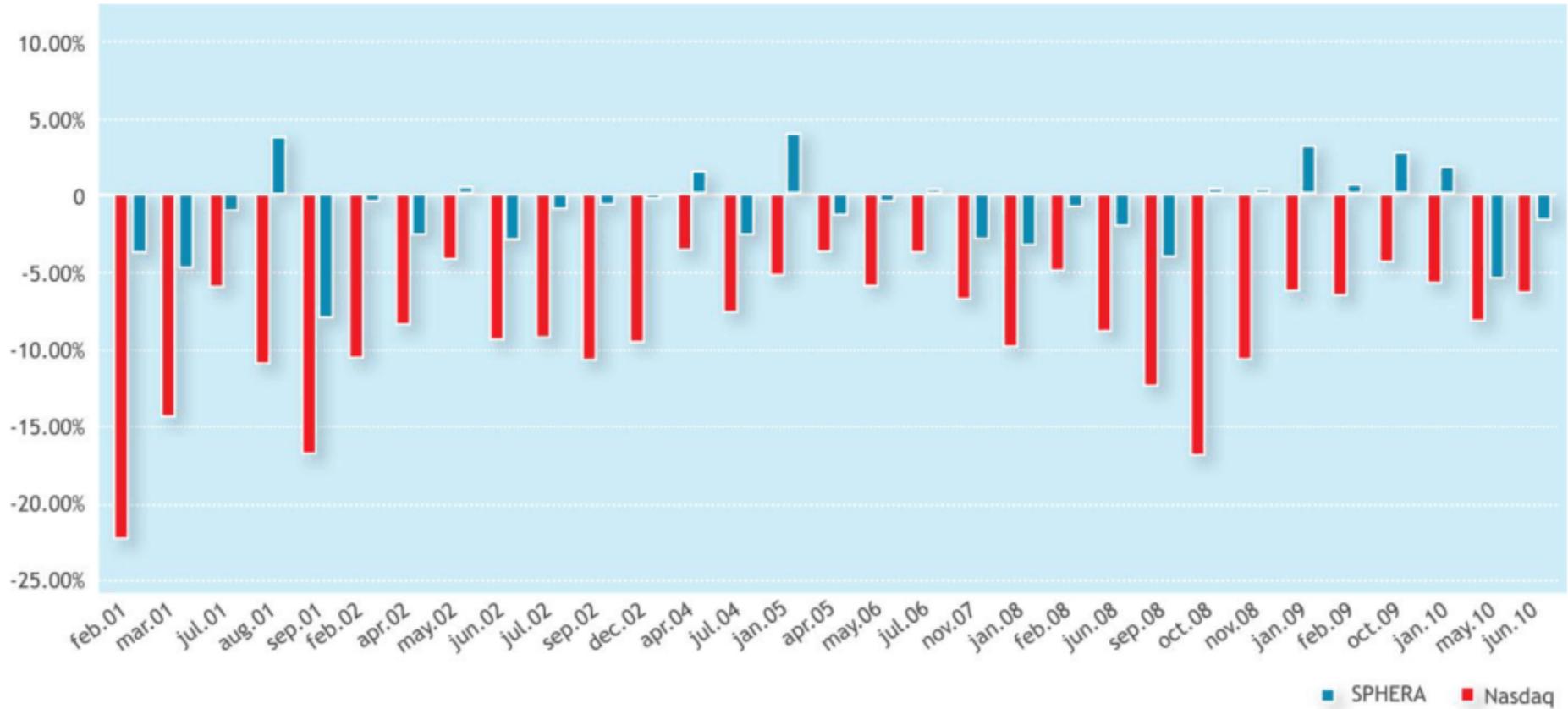
Performance in Turbulent Conditions

Sphera vs. TA100 Falls > 3%



Performance in Turbulent Conditions

Sphera vs. Nasdaq Falls > 3%



Sphera – Contact Persons

Dana Zwillinger

Director of Global Marketing
& Investors Relations

Tel: +

Mob:

E-mail:

Miki Zaharia

Director of Marketing
& Investors Relation

E-mail:

Disclaimer

CERTAIN RISKS OF HEDGE FUND INVESTING

Due to the risks of investing in a hedge fund, it is important to perform proper due diligence in evaluating and choosing fund managers to place your money with. Additional information on hedge funds is available from several sources including (in the United States) the SEC -- Hedging Your Best: A Heads Up on Hedge Funds and Funds of Hedge Funds (<http://www.sec.gov/answers/hedge.htm>) and the Financial Industry Regulatory Authority -- FINRA Investor Alert -- Funds of Hedge Funds -- Higher Costs and Risks for Higher Potential Returns (<http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/MutualFunds/P006028>). **This summary of certain risks is not a complete list of the risks and other important disclosures involved in investing in a hedge fund, and is subject to the more complete disclosures contained in a specific hedge fund's respective offering documents.** You should read those documents carefully before you invest to determine whether an investment is suitable for you in light of, among other things, your financial situation, need for liquidity, tax situation, and other investments. Privately offered investment vehicles commonly called hedge funds ("Hedge Funds," which include fund of funds) are unregistered private collective investment funds that invest and trade in many different markets, strategies, and instruments (including securities, non-securities, and derivatives). There are substantial risks of investing in Hedge Funds. You could lose all or a substantial portion of your investment in a Hedge Fund. You must have the financial ability, sophistication, experience, and willingness to bear the risks of an investment in a Hedge Fund. An investment in a Hedge Fund entails risks that are different from more traditional investments and is not suitable or desirable for all investors. Only qualified eligible investors should invest in Hedge Funds. You should obtain investment and tax advice from your advisers before deciding to invest. Index returns are shown for illustrative purposes only and are not representative of any particular product. The S&P 500 Index is an unmanaged index used as a general measure of market performance. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly.

The risks associated with investing in a Hedge Fund generally include:

- * **Absence of Regulatory Oversight** - Since Hedge Funds are typically private investments, they are not subject to the oversight and scrutiny from financial regulatory entities such as the Securities and Exchange Commission ("SEC") or the UK's Financial Services Authority ("FSA") and are not subject to the same regulatory requirements as regulated open-end investment companies, mutual funds or Undertakings for Collective Investment in Transferable Securities ("UCITS"), including requirements for such entities to provide certain periodic pricing and valuation information to investors, or certain closed-end investment companies. Hedge fund offering documents are not reviewed or approved by the SEC or any US state securities administrator or by the FSA or any other national, supra-national or local regulatory body. Also, managers may not be required by law or regulation to supply investors with their portfolio holdings, pricing, or valuation information.
- * **Portfolio Concentration; Volatility** - Many Hedge Funds may have a more concentrated or less diversified portfolio than an average mutual fund, UCITS, or other authorized collective investment scheme. For example, a mutual fund or other authorized collective investment scheme may have 100 to 200 positions while a Hedge Fund can average between 25 and 45 positions. While a more concentrated portfolio can have good results when a manager is correct, it can also cause a portfolio to have higher volatility.
- * **Strategy Risk** - Many Hedge Funds employ a single investment strategy. Thus, a Hedge Fund may be subject to strategy risk, associated with the failure or deterioration of an entire strategy. Strategy specific losses can result from excessive concentration by multiple Hedge Fund managers in the same investment or broad events that adversely affect particular strategies.
- * **Use of Leverage and Other Speculative Investment Practices** - Since many Hedge Fund managers use leverage and speculative investment strategies such as options and short sales, investors should be aware of the potential risks. When used prudently and for the purpose of risk reduction, these instruments can add value to a portfolio. However, when leverage is used excessively and the market goes down, a portfolio can suffer tremendously. Also, managers can face additional risk when selling short. In theory, the loss associated with shorted stocks is infinite, because stocks can go up indefinitely. So, while selling short can add return and risk reduction to a portfolio, managers need to pay special attention to their short positions. In the same way, when options are used to hedge a portfolio (i.e., short calls and buy puts), the portfolio's volatility can be reduced. However, when options are used to speculate (i.e., buy calls, short puts), a portfolio's returns can suffer and the risk of the portfolio can increase.
- * **Valuations** - Further there have been a number of high profile instances where Hedge Fund managers have mispriced portfolios, either as an act of fraud or negligence.
- * **Past Performance** - Past performance is not necessarily indicative and is not a guarantee of a Hedge Fund's future results or performance. Some Hedge Funds may have little or no operating history or performance and may use hypothetical or pro forma performance that may not reflect actual trading done by the manager or advisor and should be reviewed carefully. Investors should not place undue reliance on hypothetical or pro forma performance.
- * **Limited Liquidity** - Investors in Hedge Funds often have limited rights to redeem or transfer their investments. In addition, since Hedge Funds are not listed on any exchange, it is not expected that there will be a secondary market for them. Repurchases may be available, but only on a limited basis. A Hedge Fund's manager may deny a request to transfer if it determines that the transfer may result in adverse legal or tax consequences for the Hedge Fund.
- * **Tax Risks** - Investors in certain jurisdictions and in Hedge Funds may be subject to pass-through tax treatment on their investment. This may result in an investor incurring tax liabilities during a year in which the investor does not receive a distribution of any cash from the Fund. In addition, an investor may not receive any or only limited tax information from Hedge Fund and funds of Hedge Funds may not receive tax information from underlying managers in a sufficiently timely manner to enable an investor to file its return without requesting an extension of time to file. In certain jurisdictions a lack of tax information may result in an investor being taxed on a deemed basis at an adverse rate of tax.
- * **Reliance on Fund Manager; Lack of Transparency** - A Hedge Fund's manager or adviser has total trading authority over the Hedge Fund. There is often a lack of transparency as to a Hedge Fund's underlying investments. Because of this lack of transparency, an investor may be unable to monitor the specific investments made by the Hedge Fund or to know whether the underlying fund's investments are consistent with the Hedge Fund's historic investment philosophy or risk levels. Due to the risks mentioned above, it is important to perform proper due diligence in evaluating and choosing Hedge Fund managers to place your money with. There have been occasions when Hedge Fund managers took on too much risk in their portfolio and lost a substantial amount of their investors' money.

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