

ATTICUS

EM Fund

Synopsis

The Atticus Emerging Markets Fund is a thematic value-driven long/short emerging markets fund that primarily invests in equities, bonds and related securities in companies, governments and other entities in emerging markets. The fund has an annualized return of 28.77% with a standard deviation of 11.54%. The worst months for the fund were May 2004 (-4.44%), May 2006 (-6.87%) and January 2007 (-4.31%).

Track record

Historical Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-4.31%	1.37%	3.78%	4.16%	1.40%	0.62%	4.59%	-6.12%	0.15%	3.34%	4.02%	2.83%	5.05%
2006	3.52%	1.73%	3.63%	7.71%	-6.87%	0.66%	1.71%	2.35%	0.50%	8.84%	-3.23%	5.25%	26.99%
2005	1.88%	4.12%	-3.09%	-2.06%	1.25%	1.87%	3.34%	0.50%	8.84%	-3.23%	5.25%	8.17%	29.33%
2004	3.51%	1.79%	4.39%	-2.14%	-4.44%	2.91%	-1.18%	1.07%	4.97%	3.07%	7.28%	1.80%	24.92%
2003						-0.25%	0.86%	4.00%	5.44%	6.59%	1.60%	5.53%	26.08%

Historical Return Summary

	Fund
Annualized Return	26.52%
Total Return Since Inception	171.71%
Avg Monthly ROR	2.04%
Avg Monthly Gain	3.36%
Avg Monthly Loss	-3.37%
% Positive Months	80.39%

Introduction

The fund launched on June 1st, 2003, and the team includes two portfolio managers, three traders and utilizes the research, risk management and infrastructure of the parent company, Atticus Capital LP. Atticus Capital LP currently manages \$11 billion in capital with Atticus European (\$6.3 billion), Atticus Global (\$4.2 billion), Atticus Trading (\$580 million), Atticus Emerging Markets (\$330 million) and Atticus Opportunity (\$290 million).

Christopher Bremner, Portfolio Manager. Prior to joining Atticus, Dr. Bremner was Chief Investment Officer of Oppenheimer (Bermuda) Ltd., where he was the Portfolio Manager of the Oppenheimer Emerging Markets Funds. Dr. Bremner had been a private investor also prior to joining Atticus in 2003. Dr. Bremner's previous professional experience also includes managing funds for Bankers Trust Australia Limited in Sydney. Dr. Bremner holds a medical degree from the University of New South Wales.

Jeffrey Connor, Co-portfolio Manager. Prior to joining Atticus, Mr. Connor had been a private investor since his role as Senior Vice President of Oppenheimer (Bermuda) Ltd. where he was the co-portfolio manager of the Oppenheimer

Emerging Markets Funds. Mr. Connor's previous professional experience also includes having been a manager in equity derivatives at Bain & Co. Sydney and a manager in commodity derivatives and structured finance at Bankers Trust Australia Limited in Sydney. Mr. Connor holds a Science and a Law degree from the University of New South Wales and is a Fellow of the Institute of Actuaries of Australia. Mr. Connor joined Atticus in 2003.

Investment Strategy

The Atticus Emerging Markets Fund is a thematic value-driven long/short emerging markets fund that primarily invests in equities, bonds and related securities in companies, governments and other entities in emerging markets. The fund aims to lower volatility through diversification, limited use of leverage and by focusing on liquid investments. Atticus EM looks for investments using a top-down and bottom-ups approach—they will identify and research global macro themes, and within those themes, perform fundamental analysis to uncover attractively valued securities. Atticus believes that the opportunities in emerging markets are very favorable with EM countries exhibiting strong fundamentals, increasing corporate profitability and cheaper company valuations versus developed markets. The managers look for areas or regions of dramatic change such as mis-pricings, infrastructure and political change. Some examples are the Bull Run of Japanese equities, privatization of European companies, and legislative changes in Korea.

The managers generally like to focus on large cap names and are not active traders—they have a buy and hold philosophy. They consider themselves as contrarian investors as they tend to invest in companies with good fundamentals but experiencing falling stock prices. For example, after hurricane Katrina and during the spike in energy prices, oil companies got squeezed and the managers saw this as an opportunity to add energy exposure to their portfolio. They also gave the Indian market sell off two years ago as an example where they added exposure during a sharp market reversal. Although the managers have a contrarian view, they will also invest in rising companies. One example was Venezuela Telecom, which the managers believed was deeply undervalued versus other telecom companies in the world. The managers initially bought the stock at \$18 per share, and later at \$13 and \$14 per share. The company reversed its fortunes by cleaning up its balance sheet, suspending and reinvesting dividend payments, and increasing mobile subscribership, and is now one of the fastest growing telecom companies in the world. Atticus EM has a 2.5% position in the company and is 4% of the total portfolio.

Jeffrey says his approach is contrarian. He is willing to buy back exposure when markets fall (e.g., Indian sell off). However he tries not to time, but does think he can predict regionally which markets will do well. In the long term Jeffrey says he makes money from picking good businesses. He does not want to be stop loss'd out on volatility. Also, the manager does not see himself as activist, which does not work in EM because of state ownership and is not a good business.

Net exposure is typically between 70%-90% while gross exposure is between 80%-120%. As of 3/31/2006, net exposure was 82% while gross exposure was 104%. You will never see gross long exposure over 160%. The portfolio typically has 50-65 positions with 60%-70% of the names fairly liquid while the remaining 30%-40% can be turned over in one week. Energy makes up 8% of the portfolio with gazprom being their biggest sub-sector investment. The top two positions of the portfolio make up 16% of the book.

Here is the portfolio breakdown as of April 2006:

38% - EM Asia equities

21% - G7 equities (net)

17% - Cash (net)

13% - EM Europe equities (net)

6% - EM bonds

4% - EM Americas equities

The fund was up 3.63% in March and is up 9.13% for the first quarter in 2006. They have returned 29.33% in 2005, 25.18% in 2004 and 26.08% in 2003. Since inception, the fund has returned 123% and has been annualizing at 33% net of fees.

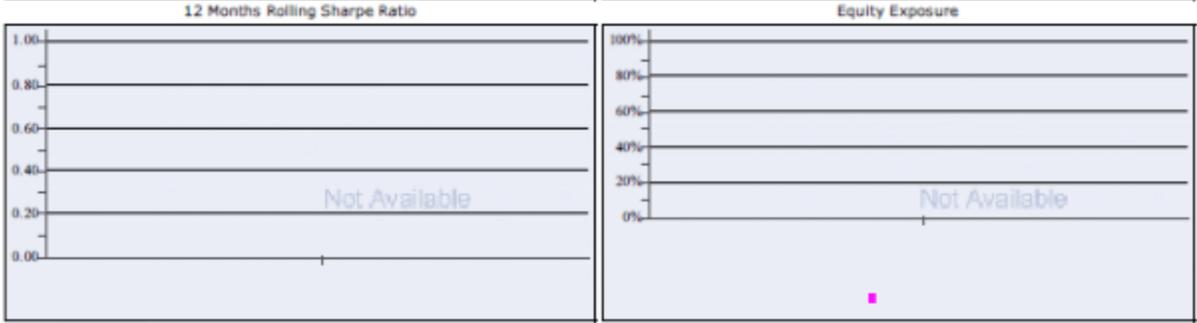
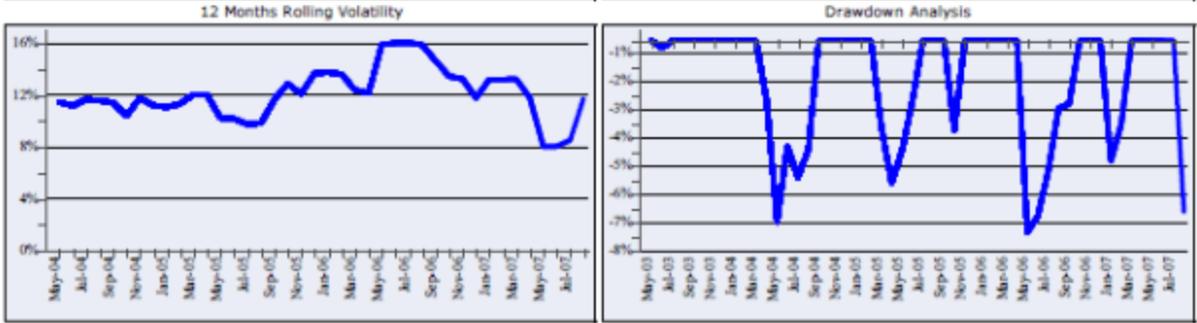
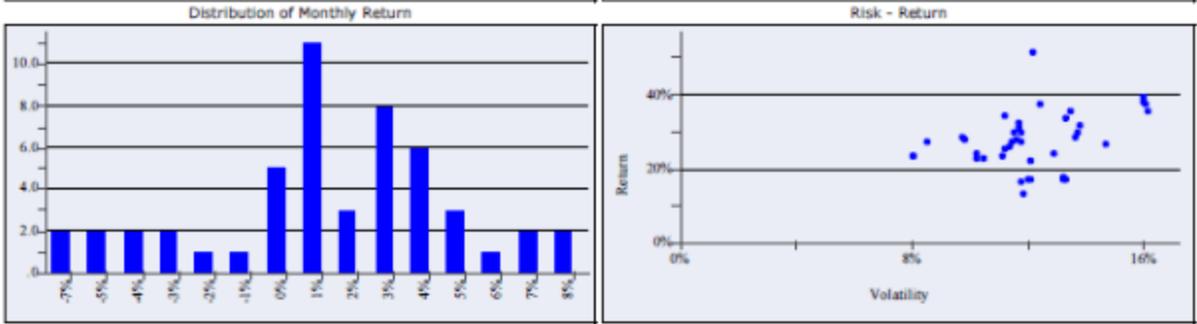
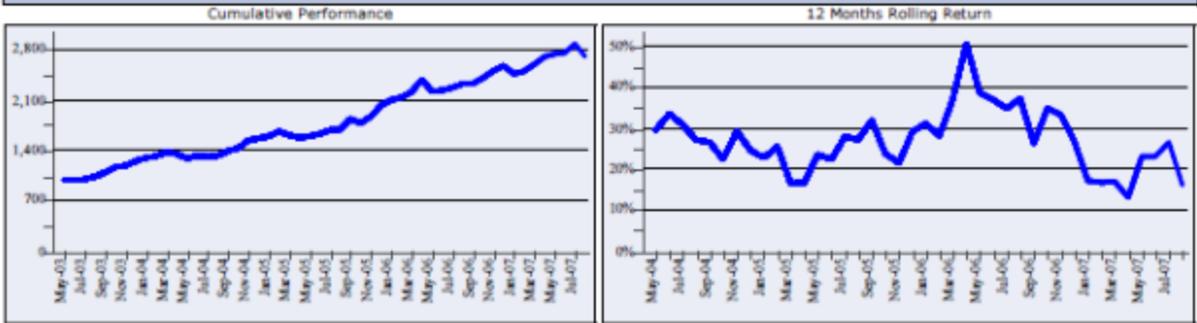
Risk Management

The fund attempts to manage big swings in different market environments through diversification across regions (EM countries and developed countries) and asset classes (equities, bonds and cash). Limits are generally place within countries, industry sectors and individual positions: Atticus EM will not invest more than 33% of the book in any country or sector and position concentration is limited to a maximum of 10% of initial cost. Names in the portfolio generally consist of large cap stocks and can quickly be turned over. The managers do not conduct any scenario analysis and they do not aggregate or run numbers. The parent company Atticus LP provides risk management support to protect on the downside during market volatility. The manager believes his worst possible drawdown is 10%. Historically his worst peak to trough drawdown was in May 06 (6.87% - ½ of market fall). According to Jeffrey, he timed May 06 well, but attributes his reduced exposure mostly to luck. He put on extra shorts on indices (Russell 2000, primarily), and cut his net exposure by 15%. Subsequently he put on longs at the bottom.

Drawdown Analysis

Rank	Depth	Length	Recov	Begin	End
1	-6.87%	1	5	Apr 30, 2006	Sep 30, 2006
2	-6.48%	2	4	Mar 31, 2004	Aug 31, 2004
3	-6.12%	1	0	Jul 31, 2007	
4	-5.09%	2	3	Feb 28, 2005	Jun 30, 2005
5	-4.31%	1	2	Dec 31, 2006	Feb 28, 2007
6	-3.23%	1	1	Sep 30, 2005	Oct 31, 2005
7	-0.25%	1	1	May 31, 2003	Jun 30, 2003

Charts (Atticus Emerging Markets Fund)



Fund Atticus Emerging Markets Fund USD