

Atom Small Cap Fund

Atom Funds Management Pty Ltd

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AFSL 301 459



ABN 62 118 597 452

Atom Funds Management

- A newly established boutique manager
- Focused on Small Cap stocks
- Heavy emphasis on fundamental research
- Australia's largest team of small cap analysts
- Signatory to the UN PRI
- Long-only, no leverage
- Portfolio limited to \$500 Million
- Part of the Sanlam Investments group of companies.



The Atom Advantage

Deep Research

- Widest possible research coverage ~ 1600 Companies
 - No other boutique manager covers this many stocks
- Creates an information advantage over other market participants and leads to the identification of companies that other investors have overlooked



David Shearwood – CIO

Deutsche Bank, Merrill Lynch 1986 – 1994

- Stockbroking/Equity Analyst

Westpac 1994 – 1999

- Senior Investment Committee member of Australian Shares Wholesale Sector Pool - \$4.5B
- Generated 70% of fund out-performance
- Named top 3 Australian Fund Analysts in Corpscan surveys 1997/98

Macquarie Bank 1999 - 2000

- Infrastructure and Specialised Funds Division

QBE Insurance Group Limited 2000 – 2002

- Managed QBE's Aussie equity portfolio and staff super fund (\$520M).
- Both portfolios strongly outperformed index

Mint Financial Group 2004 – 2005

- Listed and managed a \$32M investment company



Board of Directors

David Shearwood, Chief Investment Officer

Drew Wilson, Managing Director

- 20 yrs in Canada/Australia creating & marketing managed funds
- Toronto-Dominion Bank, TD Waterhouse, Thomson Corp, Fat Prophets
- Responsible for operations, marketing & business development

Hendrik Pfaff, Executive Director

- Sanlam Investment Management is one of South Africa's leading asset managers with over \$50bn US.



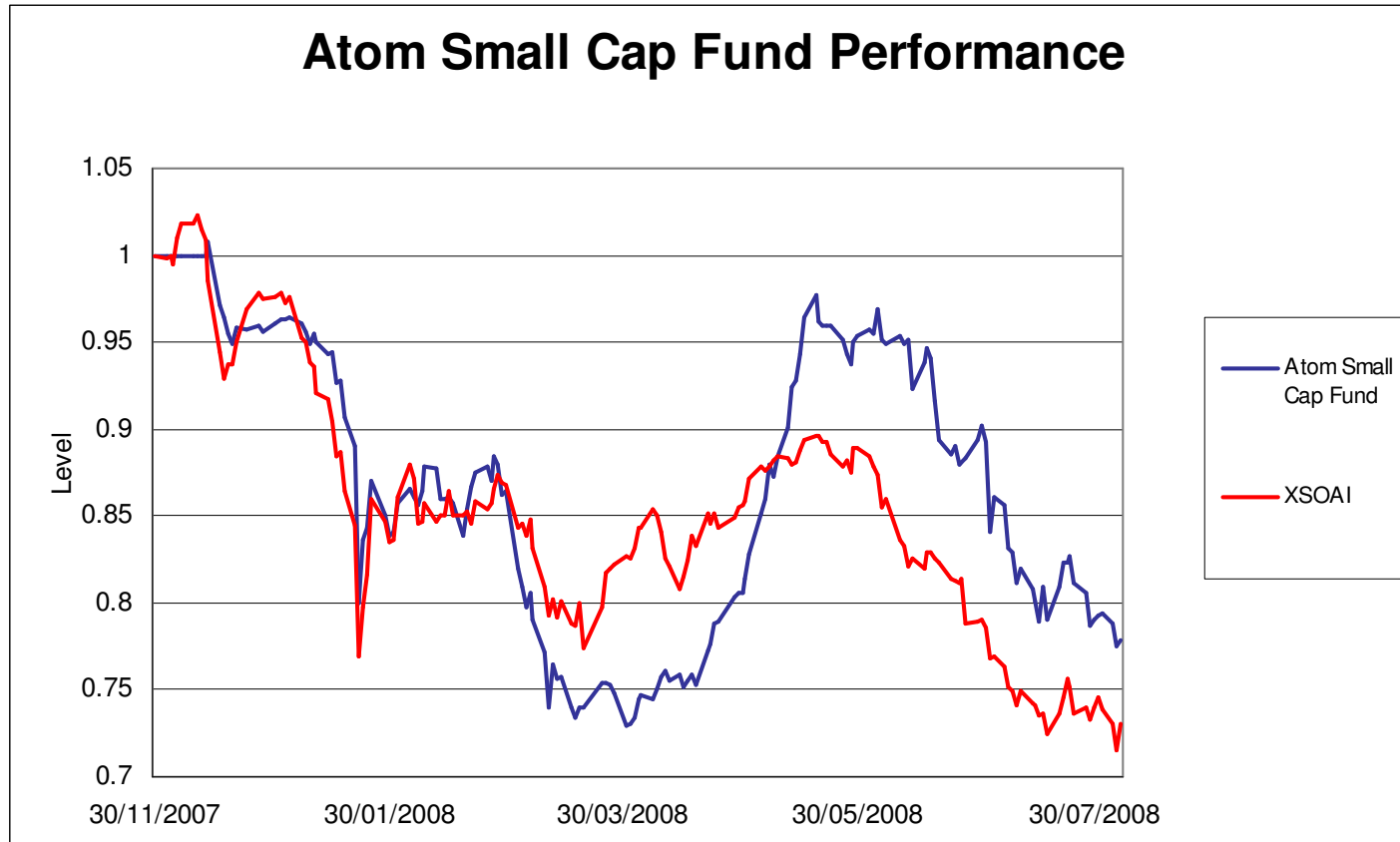
Atom Small Cap Fund

- Long only, no leverage
- 1% Investment Management Fee
- 19.9% Performance Fee over ASX Small Ords Accumulation Index with high-water mark
- Monthly pricing and reporting
- Redemptions monthly with 2 weeks notice
- Inception Date: Dec 1, 2007



Performance

31/07/08



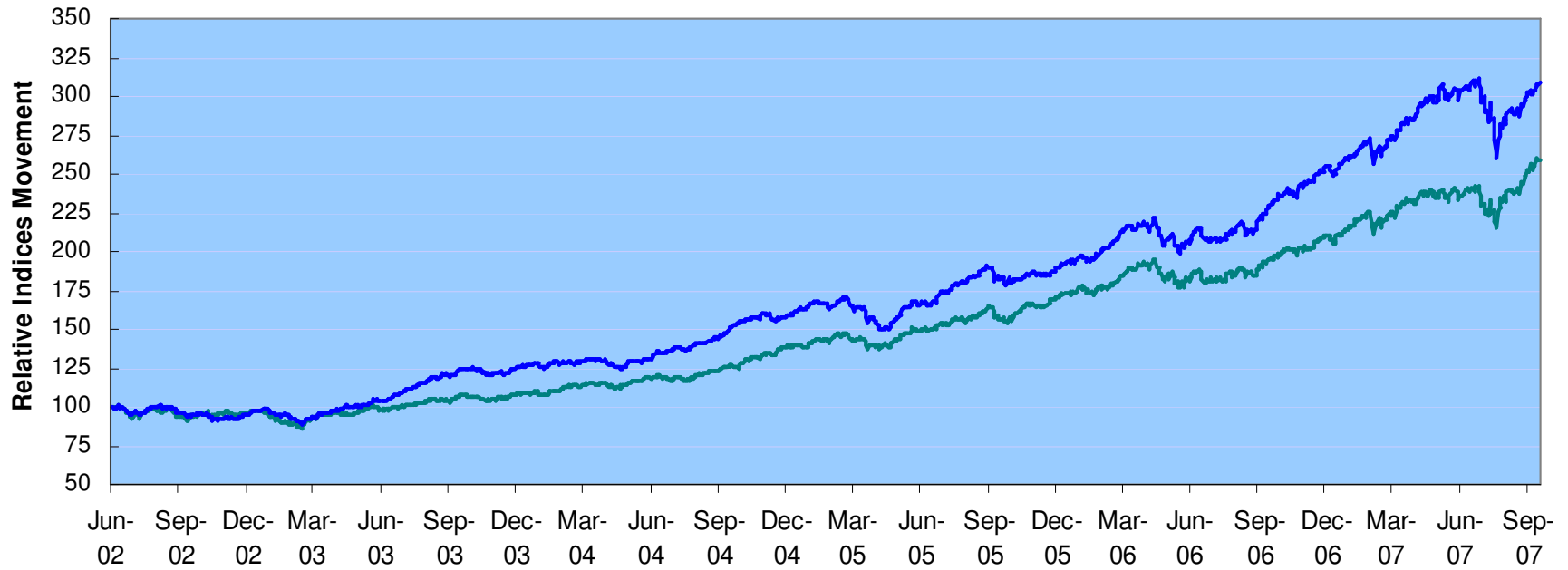
The Case for Small Caps



Small vs. Large

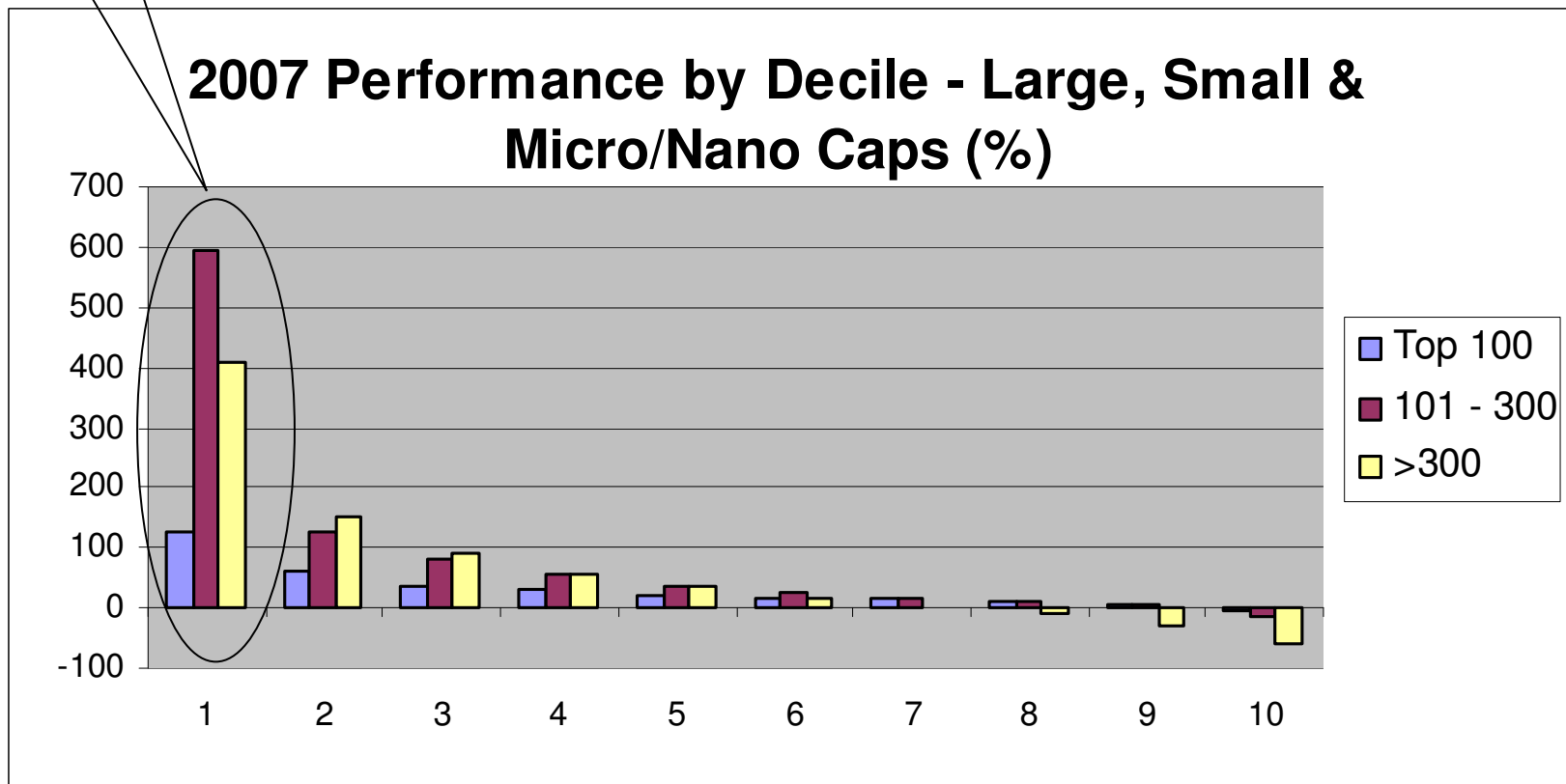
Comparison chart

— S&P / ASX 100 — Small Ordinaries



Return Distribution

Small Cap
'Winners' Most
Rewarding

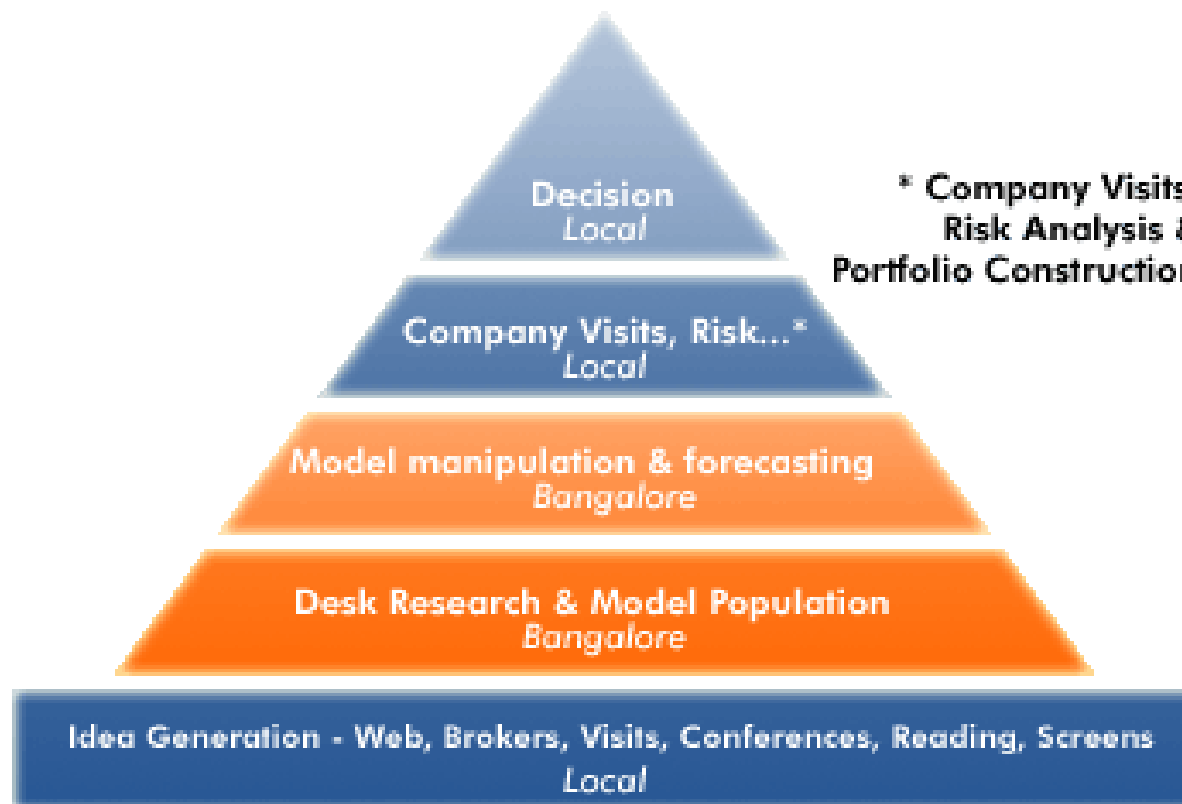


Investment Process

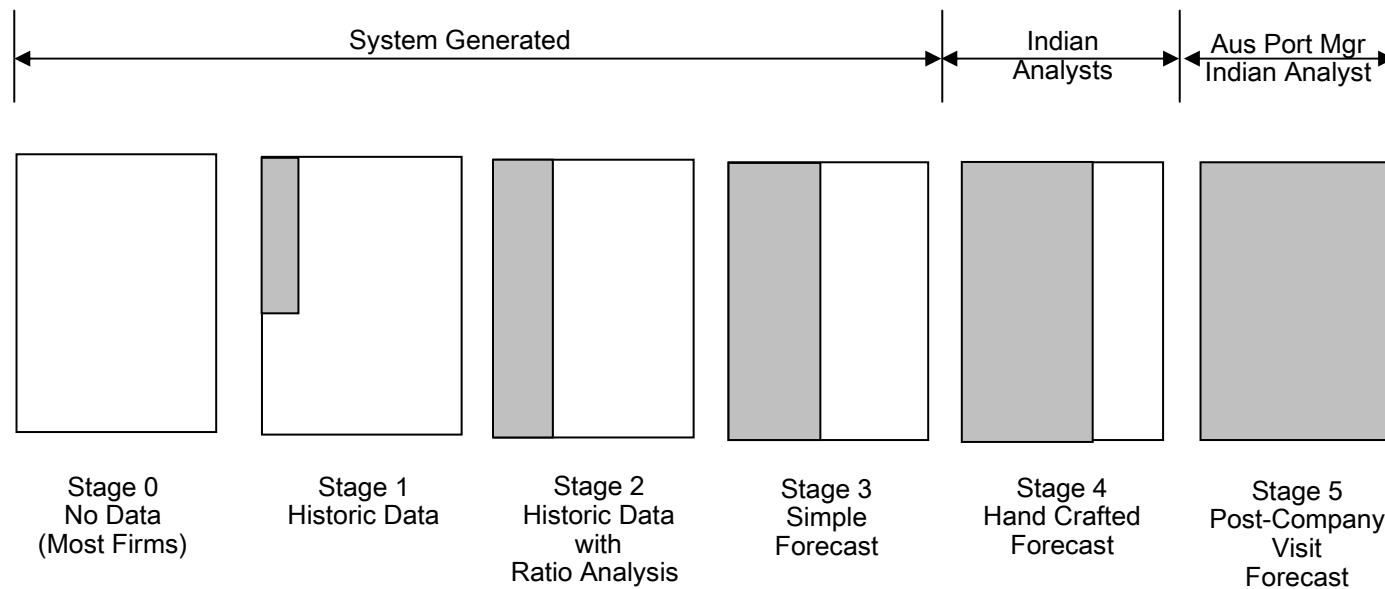
(How can a boutique cover 1600 stocks?)



Atom Analytical Process



Atom Modeling Process



Indian Analysts Role

- Start with systematically generated company model complete with forecast
 - Bulk of data captured electronically
- Customise each model to reflect company and industry specifics
- Keep model up to date (results, news, meeting discovery)
- Analysts do not visit target companies
- All Investment decisions made in Australia

Say again?... India?

- Indians are smart
 - 34% of Microsoft employees are Indian
 - 36% of NASA scientists are Indian
- Are well educated
 - Indian Institutes of Technology ranked with best in the world, Harvard, MIT, Princeton
 - Graduate 200,000 engineers per annum
- And are commercially successful
 - Hotmail founded by an Indian,
 - Largest steel producer (Mittal) owned and run by an Indian
 - Pepsi Co., McKinsey & Co, run by Indians...

India is more than telemarketing.



Atom in Good Company

- Many of the world's best known financial brands have already gone to India...

The logo for Fidelity.com, featuring the word "Fidelity" in a white, italicized serif font and ".com" in a smaller, white sans-serif font, all on a black rectangular background.The logo for Goldman Sachs, with the words "Goldman" and "Sachs" stacked vertically in a white serif font on a blue square background.The logo for Reuters, with the word "REUTERS" in a white sans-serif font and a circular icon of orange dots to its right, all on a black rectangular background.The logo for JPMorganChase, with the text "JPMorganChase" in a white sans-serif font and a white Chase octagon icon to its right, all on a dark blue rectangular background.The logo for ANZ, with the letters "ANZ" in a white sans-serif font on a blue rectangular background.The tagline "A Passion to Perform." in a small, dark blue sans-serif font.The logo for Deutsche Bank, with the text "Deutsche Bank" in a dark blue sans-serif font and a blue square icon containing a white diagonal line to its right.The logo for AXA, with the letters "AXA" in a white serif font on a blue square background, with a red diagonal line. Below the square, the text "INVESTMENTS INSURANCE SUPERANNUATION" is written in a small, dark blue sans-serif font.The logo for ABN-AMRO, with the text "ABN-AMRO" in a white sans-serif font on a dark green rectangular background.The logo for ATOM FUNDS MANAGEMENT, featuring two overlapping circles (one yellow, one orange) to the left of the word "ATOM" in a large, bold, orange sans-serif font, with "FUNDS MANAGEMENT" in a smaller, dark blue sans-serif font below it, all on a dark blue rounded rectangular background.

Investment Philosophy



Investment Style - Neutral

- Bottom-up: Examine stocks on a case by case basis
- Heavy emphasis on fundamental research
- Quant methods used to narrow our universe of 1600 stocks
- 28 Screens employed in filtering opportunities
- Longer-holding periods - Portfolio turnover expected to be < 50%
- No rotation between value and growth



Stock Screens

- Identify stocks warranting greater scrutiny
- 28 Screens
- Running over proprietary data – a significant advantage
- Data drawn from summary section of individual company spreadsheets
 - All stocks outside top 100
 - 7 years historical data (quarterly, half yearly, annual)
 - Forecast data to 2030

Stock Valuation Methodology

- Stocks purchased have at least one of the following attributes:
 - Low PE / High Yield
 - High Earnings Growth
 - Low Price / NPV
- Decisions based upon price to valuation metrics
- Target stocks with valuation gaps capable of providing 2–3x upside with minimum downside

Risk Management

- Extensive fundamental research on all holdings before purchase
- Holdings generally below 5% ownership of company
- No single stock > 10% of portfolio (with some exceptions)
- 25 – 75 companies in portfolio