Providing investors with income and capital appreciation from an Australasian focussed debt strategy

CHIMAERA CREDIT OPPORTUNITIES FUND

Now available as a Individually Managed Account thru FolioMandate™.

Minimum investment restrictions apply.

CHIMAERA CAPITAL MANAGEMENT

For investors seeking an attractive income stream, capital appreciation, and access to a market traditionally dominated by professional players, the Chimaera Credit Opportunities Fund provides a discerning investor with exposure across the spectrum of Australasian Corporate Credit.

The Chimaera Financial Group believes the Australasian credit market will provide superior risk adjusted returns that will prove to be relevant and compelling versus other asset classes, over the medium term.

Now available as a Individually Managed Account thru FolioMandate™.

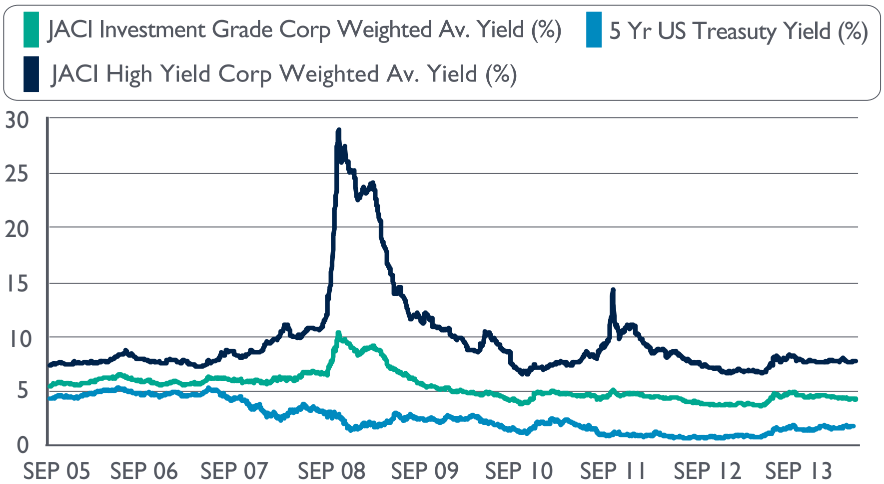
The credit market

There are many ways a company can raise money. For companies that are larger and more sophisticated, issuing corporate bonds into the "credit" market can be an attractive solution. Investors who purchase corporate bonds issued by such companies, can expect to receive a regular income stream, the level dictated by the riskiness of the corporate issuer, as well as the promise of repayment in full upon maturity.

At various stages of the economic cycle, the market will demand higher or lower premiums to accept additional risk. Periods such as Q3 2008 and Q1 2009, were good examples of the credit market demanding a very high premium or "credit spread" in order to take on corporate credit risk.

The credit spread is essentially the difference between the yield on a corporate bond, versus the yield on a government bond of roughly the same maturity. The credit spread at any given time will reflect the market's appetite for risk, liquidity, and the issuer's credit quality.

Asian Corporate Yields vs US Treasuries (USD)



The Chimaera Credit Opportunities Fund

An absolute return credit driven fund, which searches for best debt opportunities across markets such as Australia, New Zealand, Asia and the Middle East.

The credit spectrum includes;

Investment Grade	Corporate Bonds issued by companies of strong credit quality. Credit ratings are BBB- or higher
High Yield	Corporate Bonds issued by companies which are more speculative in nature and offer a higher yield in return. Credit ratings are BB+ and lower
Convertible Bonds	Securities that provide the investor with the right to convert the bond into a fixed number of shares at maturity. Can often have lower yields as a result.
Hybrids	Interest bearing securities with some debt and some equity characteristics. Normally tradeable on recognised stock markets.
Loans and privately placed bonds	Less tradeable publicly but often have higher yields and carry higher levels of creditor protection such as covenants or security over fixed assets

The Chimaera Credit Opportunities Fund

The quality of any bond is based on the issuer's financial ability to make interest payments when due and repay the loan in full at maturity. Measurement of this quality is performed by independent credit rating services such as Moody's and Standard & Poor's. As shown in the table below, ratings produced by these agencies help to categorise the credit quality of an issuer;

	Moody's	Standard & Poor's	
Highest Quality	Aaa	AAA	Investment Grade
High Quality	Aa	AA	
Upper Medium	A1,A	A	
Medium	Baa1, Baa	BBB	
Speculative	Ba,B	B,BB	High Yield
Highly Speculative	Caa	CCC, CC	

The investment managers closely monitor a bond's rating and associated commentary from rating agencies. The managers value add ensures that Chimaera's internal investment view predicts changes in market pricing, prior to changes in rating agency opinion of a particular issuer.

Whilst rating agencies are not infallible, market prices will move with any downgrades or upgrades in the bond's rating as well as other market factors.

Market cycles come and go, and often there is often a familiarity in the way in which yields and credit spreads move under different economic and market conditions.

In a specialist market like fixed income, why not allow the experience of seasoned investment professionals to allocate funds within the sector? Rest assured that your money is invested in the most compelling opportunities at the right time within the credit cycle.

Investment Approach

Superior portfolio construction is a paramount requirement for outstanding performance. The portfolio is managed on an absolute return basis which means it does not hide behind a benchmark index, but rather measures itself to cash earning interest, plus a healthy margin.

This unconstrained investment approach allows the managers to position the portfolio dynamically in a manner to extract the best value from the most attractive segments of the credit market.

The managers are constantly weighing up the value of credit securities against their credit quality. This relative value approach ensures securities are compared to peers within industries and also across other parts of the credit landscape.

Rather than simply looking for the highest yielding assets, the managers strive to find the best yield given an issuer's likelihood of default. Essentially, some companies offer very high yield for good reason - those nearing default status fall into this category. Lower quality securities will be held in limited proportions and with maximum diversification.

The overall credit quality of the portfolio is expected to stay predominantly within the boundaries of the investment grade spectrum.

A patent advantage of using an experienced manager like Chimaera is that we also can leverage our expertise to invest in loans or privately placed bonds. These securities rarely trade publicly but have the advantage of higher yields and often higher levels of creditor protection such as tight covenants or security over fixed assets.

Essentially, we combine top down macro experience with bottom-up company specific research, and we have selected the investment managers with skill sets to do just that.

Top Down focus	Markets move quickly and the ability to hedge against adverse movements for occasions where interest rates are set to rise, or credit spreads look set to widen, is paramount. Fundamental economic inputs, and technical analysis is combined with expected return, default trends and cross market asset performance, to help identify areas of performance or weakness ahead of time.
Bottom up analysis	Rigorous bottom up research is done at the company specific level focusing on attractive debt opportunities. Rather than relying on established credit rating views, a determination of a "true" implied credit rating is a building block toward understanding the market valuation of any company debt. Numerous filters are run against the various credit metrics of any targeted investment. Liquidity trends and information transparency are important inputs, as is an in-depth knowledge of management capability and debt management skills.
Diversification	Diversification across names and sectors reduces the negative impact of corporate defaults. The portfolio is expected to have less than 1.5% exposure per issuer to sub-investment grade issuers. A dedicated approach to relative valuations also ensures appropriate compensation for credit risk, and other risks.

Investment Management Team

- Extensive experience in all facets of the debt securities market covering credit research, origination, credit trading and funds management
- Dedicated Asian Fixed Income experience covering investment grade and high yield, distressed and mezzanine debt, leveraged loans, structured credit, Australian Asset and mortgage backed securities as well as hybrid transactions
- Established broker and investor networks across Australia and Asia with proven ability to source over the counter (OTC) securities.
- Research and modeling background combined with "hands-on" due diligence experience across the region.
- Lengthy experience with macro and risk mitigation strategies.

Angelo Catalano

During the last five years, Angelo has been responsible for originating, structuring, executing and trading in investment grade, high yield, distressed, mezzanine, structured credit and hybrid transactions across the Asia Pacific Region for DBS Bank and the Royal Bank of Scotland.

Prior to that, Angelo was Head of Credit Research at CBA in Sydney where he was responsible for coverage of the Australian corporate credit market. During his time there, CBA became one of the highest rated banks for credit research, regularly ranking in the top 3 for quality of coverage.

Andrew Kemp

For the last three years, Andrew has been with DBS Asset Management in Singapore. As Head of Fixed Income, Andrew was responsible for overseeing a team of eight investment professionals, as well as managing a variety of absolute return style fixed income funds and IMAs.

Andrew was the investment manager of the award winning Shenton Income Fund which focused on credit enhancement strategies across Asia in both hard and local currencies. Prior to DBS, Andrew was a fixed income portfolio manager at Alliance Bernstein and affiliated companies in Melbourne for over a decade.

How to use the Chimaera Credit Opportunities Fund as part of a broader diversified multi asset portfolio

From an asset allocation standpoint, corporate credit is providing an attractive way to diversify and mitigate risks for equity holders, and is also attractive from the risk and return standpoint in its own right. It is both relevant versus cash, which is yielding virtually nothing, and also against equities – by way of taking chips off the table and reducing market beta, without sacrificing all the return (and perhaps enhancing it if equities cannot continue higher)

The Fund is designed to provide investors with a diversification option with secure income stream and capital gains, in the context of a much lower level of volatility than that typical of equity investments. The Chimaera Credit Opportunities Fund is a realistic option for investors who are contemplating a reduction in equity exposure, and/or require a decent return on their money above what can be earned on bank deposits or from property rental.

Why corporate bonds and not Equities?

Even though we have seen a strong rally across all equity markets, it is clear that companies worldwide are still worried about shoring up their long term funding after the freezing of capital markets post-Lehman.

As a result, more equity will be issued in order to reduce debt and hence leverage. Also, companies will replace short term debt with longer term debt, reducing their refinancing risks in the near to medium term. Balance sheets are therefore much stronger than they were, but the equity holder becomes more diluted than before, and the debt holder is in a stronger position as the likelihood of being paid back at maturity increases, with the issuer's improved balance sheet.

Going forward, to have continued optimism in the equity rally, you need to believe that earnings will be robust and growing, and that material economic growth is around the corner. To invest in credit markets, you need to believe that you will get your money back, and you need fair compensation for lending your money.

Investments predominantly in USD

Much has been spoken about the plight of the US dollar. The USD is a central currency for the bulk of the assets the fund wishes to purchase, and indeed the broader USD Asian bond market size is in excess of USD 200bn.

Whilst the Chimaera Credit Opportunities Fund does not seek exposure to material foreign exchange positions other than USD, we recognise that investors may take on significant FX risk by buying a USD denominated fund.

As such, the Chimaera Financial Group is able to tailor a currency hedging package that will suit different investor groups according to the primary investment location or base currency of choice.

Risk Considerations

Risk management is the backbone of the Chimaera platform. Understanding the risks and how they affect returns is critical. The investment managers are constantly looking for ways to mitigate risks within the context of targeted return outcomes. That is, there will always be risks but the prudent management of such risks enables return volatility to be minimised.

A key feature of a debt portfolio is the constant return that is known until maturity, barring any corporate default. Risks are managed around these outcomes to ensure that if the market level of interest rates were to rise for example, the portfolio return would not suffer. The managers have a toolkit of strategies that cover all risk types, designed to be used as an overlay against the underlying portfolio of simple bond securities.

Chimaera Credit Opportunities Fund		
Australasian Cash Credit Securities		
Corporate Securities Investment Grade Special Situations	Convertible Bonds Bank Capital High Yield	Private Financing Distressed Debt
Credit Risk	Interest Rate and Funding Risk	FX Risk
Hedging Overlay		

The Fine Print

As with all financial investments, corporate bonds and other forms of credit securities have their own risks that investors need to consider, understand and accept. The most important, of course, is **Credit Risk**. After all, corporate bonds are really loans which are actively traded and we therefore need to assess carefully the ability (and sometimes willingness) of these borrowers to repay. This is where our fundamental bottom-up analysis, and extensive and intimate experience in Australasian credit markets comes into play.

At the depth of the global financial crisis, **Liquidity Risk** was a key factor behind losses suffered by investors. In other words, when perception of risk is elevated, and cash is king, other investors will only reluctantly part with their hard-earned funds. This means that a forced seller, who needs to raise cash, will in all likelihood need to take a haircut to realise assets quickly. Generally speaking, higher grade credit securities tend to be more liquid, but sometimes it does make sense to take some liquidity risk where this is justified on a risk/reward basis and in the interests of portfolio diversification.

Although the fund is a USD denominated portfolio, there will be some element of **Currency Risk**, due to the ability of the managers to invest in securities of other currencies. There will be limitations on the ability of the fund to hold non-USD investments, but in some cases, the managers may buy non-USD securities due to their currency view. Also, as most of the securities held in the portfolio will have fixed coupons, there will be an element of **Interest Rate Risk** in the portfolio which means that changes in USD interest rates, may affect the return of the fund. This risk is mitigated by keeping a relatively short duration as well as by holding some floating rate securities.

About Chimaera Capital Management

Chimaera Capital Management (CCM) is a member of the Chimaera Financial Group, (CFG) a specialist financial services provider operating in the areas of investment banking, asset and wealth management and custody services. CCM is part of CFG's Private Wealth Management Division which has had responsibility, since 1996, for the management of a diverse suite of investment mandates spanning the key asset classes of global equities, global equity hybrids and corporate debt.

For over a decade our Chimaera 20 and Chimaera Equity High Yield mandates have had an enviable track record and our Strategic Long Absolute Return Funds performed solidly providing investors with innovative exposure to the full range of securities within the capital structure of emerging companies in the resources, technology and industrial sectors.

An essential ingredient of CCM's success is access to the significant infrastructure developed and operated by CFG. This is an absolute core competency of CFG and it continues to invest heavily in the ongoing development of its proprietary portfolio, risk management and compliance systems.

CFG's History

CFG was formed in 1996 as a strategic transactions and arbitage group within Paloma Partners, one of the major market neutral hedge funds operating globally and based in Greenwich, Connecticut. Chimaera Financial Group's mandate included the development and trading of structured products for Paloma Partners.

In 1997 Chimaera formed an alliance with the Global Investment Manager Services division of Donaldson, Lufkin & Jenrette Inc. and expanded its business to include key strategies and products throughout Australia and Western Europe.

CFG's Core Businesses Today

Today, Chimaera's business covers a number of markets, principally Australia, East Asia and Western Europe. CFG commands a unique position in the market having global capabilities in capital markets, securities services, corporate finance, trading and asset wealth management.

Chimaera Capital Management

Singapore
Telephone: +65 6594 3800
Facsimile: +65 6594 3810

Hong Kong
Telephone: +852 2166 9500
Facsimile: +852 2166 9510

Melbourne
Telephone: +61 3 8614 8400
Facsimile: +61 3 8614 8410

www.chimaerafinancial.com

CHIMAERA CAPITAL MANAGEMENT

CCOF_SWv2140514