

# COMMONWEALTH OPPORTUNITY MASTER FUND LTD

April 2011



COMMONWEALTH OPPORTUNITY CAPITAL  
PROTECTING CAPITAL • BUILDING WEALTH

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## Commonwealth Opportunity Capital Background

- Commonwealth Opportunity Capital GP LLC (“CWOC GP” or the “Company”) is a privately owned hedge fund manager formed in November 2008.
- CWOC GP is owned and managed by Adam Fisher, Reagan Silber, Csaba Konkoly and Greg Sutton (the “Principals”).
- The Company’s initial fund, Commonwealth Opportunity Master Fund Ltd (“CWOC” or the “Fund”), is a global macro fund that began operations in December 2008<sup>(1)</sup>.
- CWOC employs macroeconomic principals to generate uncorrelated outsized positive returns by positioning for price movements in credit, currencies, commodities, interest rates, and equities in any global market. CWOC efficiently allocates capital to global opportunities where we believe the risk/reward pay-off is particularly compelling.
- The CWOC team has over 75 years of collective experience investing in all asset classes globally.
- The Principals and their respective families have approximately \$40MM invested personally in the Fund.



<sup>(1)</sup>The initial fund was Commonwealth Opportunity Capital LP which began operations in December 2008. As of July 1, 2010, the fund was converted to a Master/Feeder structure whereby Commonwealth Opportunity Capital LP became a feeder fund for Commonwealth Opportunity Master Fund Ltd.

### Reagan Silber – President

Reagan Silber is the co-founder and president of Commonwealth Opportunity Capital. He is an accomplished wealth builder with a long and proven track record of business building and leading organizations through start-up, turn-around, and growth cycles. His vision, experience, and critical eye are vital to CWOC's idea generation and risk assessment. Prior to CWOC, Mr. Silber served as the Chief Executive Officer and Co-Chairman of Edge Group, a development, gaming, and management company formed in 2004. Edge Group partnered with Starwood Hotels & Resorts Worldwide to develop real estate in Las Vegas. Mr. Silber sold off the vast majority of his Las Vegas assets in the summer of 2007.

In 1996, Mr. Silber helped found and served on the board of Alamosa Holdings. Alamosa, in partnership with Sprint, built and launched the first digital wireless communications networks in rural America, bringing personal communications services to more than 29 million people in 17 states. Alamosa went public in February 2001 and Mr. Silber exited the company prior to the telecom bubble collapse in 2002. In 2006, Alamosa was acquired by Sprint Nextel for \$3.4 billion.

Mr. Silber began his career as an attorney in Texas in 1986. He and his partner Trevor Pearlman formed Silber Pearlman LLP and under Mr. Silber's leadership the firm grew to more than 40 attorneys and 200 professional staff. Mr. Silber also served as an adjunct professor at the University of Texas School of Law and held teaching appointments at Georgetown University Law Center and Southern Methodist University.

A native of Texas, Mr. Silber earned his undergraduate and law degrees with honors from the University of Texas in Austin.

### Adam Fisher – Co-CIO

Adam Fisher is the co-founder and co-CIO of Commonwealth Opportunity Capital. He brings extensive knowledge and experience investing in and managing public and private companies globally. Prior to CWOC, Mr. Fisher co-founded Orient Property Group ("OPG") in 2006 focusing on investments throughout the Asia Pacific region. OPG is backed by D.E. Shaw & Co., a global hedge fund with assets in excess of \$35 billion.

Prior to CWOC and OPG, Mr. Fisher founded Irongate, a property investment and development firm based in Los Angeles. Irongate and its predecessor entity was involved in property transactions in Florida, California, Hawaii, Mexico, and Canada. Prior to founding Irongate, Mr. Fisher worked in New York for two private equity firms, NMS Capital and TD Capital, as well as a risk arbitrage firm affiliated with Reservoir Capital.

Mr. Fisher was a founder of Signal Peak Mining LLC, a joint venture with First Energy (NYSE:FE) and the Boich Group. Mr. Fisher was also a founder and a principal shareholder of American Energy Group, a specialty chemicals manufacturer based in Milwaukee, Wisconsin.

Mr. Fisher holds a JD/MBA from Columbia University and a BS from Washington University in St. Louis.



### Csaba Konkoly – Co-CIO

Csaba Konkoly is the co-CIO of Commonwealth Opportunity Capital GP LLC. As a seasoned investment professional, he brings knowledge and skill to CWOC ranging from trading, analysis, and portfolio management to business development, operations, and risk. Prior to CWOC, in January 2005, Mr. Konkoly co-founded GATKO Partners LLP, a global top-down equity hedge fund in London and Singapore.

Prior to GATKO Partners, Mr. Konkoly focused on hedge fund, private equity and fund of funds investments at Gilder, Gagnon, Howe & Co, Croesus Capital Management, LLC and F3 Capital Management (extension of Croesus Capital) in New York and Budapest from 1997. Mr. Konkoly started his career in 1993, holding various proprietary and sales trading roles with specialist investment banking firms focusing on Emerging European markets in Budapest, Moscow, and London.

Mr. Konkoly received his M.Sc. from the University of Budapest, majoring in International Economics. Mr. Konkoly attended the part time MBA Program at the New York University Stern School of Business from 1999-2001.

### Gabriel Mass – Vice President

Gabriel Mass joined CWOC in 2010. Prior to CWOC he was an analyst and trader at Falcon Management Corporation, a global macro hedge fund founded in 1991, and a securities analyst in the fixed income group of Symphony Asset Management, a hedge fund unit of Nuveen Investments managing over \$10 billion. Gabriel also practiced law in the New York office of the international law firm Jones Day where he focused on structured finance and derivatives.

Mr. Mass has experience in a wide range of asset classes, including foreign exchange, interest rates, credit, and equity. He has met with Central Bank officials, brokers, analysts, and senior corporate executives in numerous countries in Europe, Asia, the Middle East, and Africa.

Mr. Mass received his JD from Fordham School of Law and his B.A. in English Literature (Honors) from Georgetown University. He was a contributor to the section on foreign exchange derivatives in the book *Capital Markets, Derivatives and the Law* (Oxford University Press, 2009). Mr. Mass is a CFA Level 3 candidate.



### **Greg Sutton – Chief Financial Officer**

Greg Sutton has been at Commonwealth Opportunity Capital since its launch in December 2008. Mr. Sutton is a member of the CWOC Investment Committee and is responsible for all non-investing aspects of the firm's business, including, risk systems, leverage analysis, valuation, accounting, tax, operations, legal and compliance, and technology infrastructure. Additionally, he serves as the firm's Risk Manager.

Prior to CWOC, Mr. Sutton was a Director at Pacific Media Capital (an affiliate of DB Zwirn & Co., LP). Previously Mr. Sutton spent seven years as an investment banker at Roth Capital Partners and SG Cowen where he completed over 40 M&A and financing transactions. Mr. Sutton began his career with PriceWaterhouseCoopers as a management consultant advising fortune 500 companies on operational and strategic projects.

Mr. Sutton received a Bachelor of Science in accounting from the University of Arizona and a MBA from the Marshall School of Business at USC.

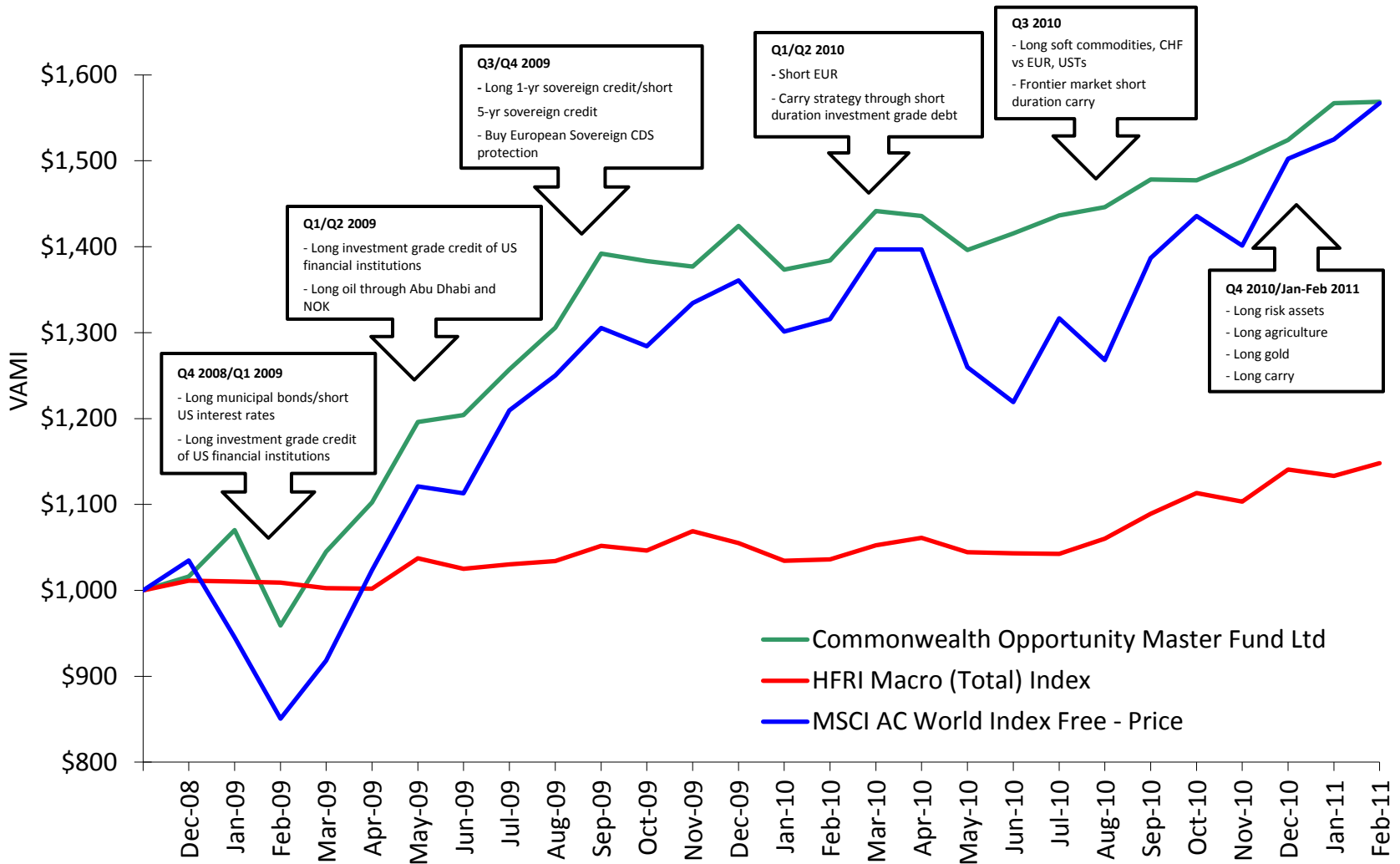
### **Patricia Hsu – Analyst**

Patricia Hsu joined Commonwealth Opportunity Capital as an analyst in March 2010. Prior to CWOC, Ms. Hsu was an equity research associate at CLSA Asia-Pacific Markets, a brokerage and investment firm based in Hong Kong, covering Chinese consumer staples and Taiwanese non-tech domestic inflations related sectors. Before CLSA, she was a money market dealer at Bank of Tokyo Mitsubishi, UFJ.

Ms. Hsu received a Bachelor of Business Administration in Finance from National Taiwan University and a MBA from UCLA Anderson School of Management.

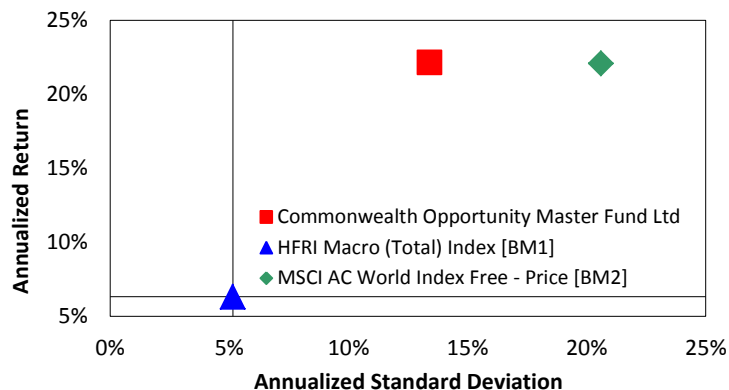


## Growth of Initial \$1,000

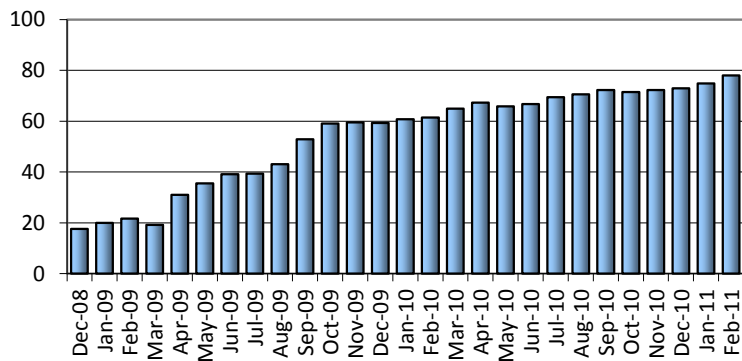


## Performance Overview

### Risk vs. Return



### Assets Under Management



Annual Returns	CWOC	BM1	BM2
2011-(YTD)	2.93%	0.63%	4.29%
2010	7.02%	8.12%	10.42%
2009	40.14%	4.34%	31.51%
2008	1.62%	1.11%	3.47%
Latest Returns	CWOC	BM1	BM2
Last Month	0.10%	1.29%	2.75%
Last Quarter	4.64%	4.04%	11.82%
Last Year	13.35%	10.79%	19.11%
2-Year	27.90%	6.67%	35.73%
Historical Data	CWOC	BM1	BM2
Compound ROR	22.16%	6.32%	22.10%
Cumulative Return	56.88%	14.79%	56.70%
Cumulative VAMI	\$1,569	\$1,148	\$1,567
Best Month	8.98%	3.54%	11.49%
Worst Month	-10.38%	-1.95%	-10.03%
% Positive Months	74.07%	51.85%	62.96%
Risk	CWOC	BM1	BM2
Standard Deviation	13.41%	5.15%	20.60%
Sharpe Ratio (3%)	1.35	0.64	0.93
Sortino Ratio (3%)	2.20	1.17	1.38
Downside-Deviation (3%)	7.84%	2.72%	12.40%
Maximum Drawdown	-10.38%	-3.23%	-17.79%
Months In Max Drawdown	1	2	2
Months To Recover	2	8	3

### Monthly Performance (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011	2.82%	0.10%											2.93%
2010	-3.57%	0.79%	4.16%	-0.41%	-2.77%	1.38%	1.49%	0.66%	2.22%	-0.05%	1.47%	1.67%	7.02%
2009	5.30%	-10.38%	8.98%	5.47%	8.49%	0.68%	4.41%	3.86%	6.61%	-0.62%	-0.47%	3.44%	40.14%
2008												1.62%	1.62%



## Investment Process

1. Our investment process is predicated on a top down approach analyzing key fundamental macro drivers including but not limited to:

Economic Activity	Global Risk Premiums
Monetary Policy	Capital Account
Current Account Balance	Trade Weighted Currency Reserves
Output Gap	Political Landscape
Flow of Funds	GDP growth & Inflation

2. This analysis generates our views on the global economy and leads to investment themes.
3. We then determine the most efficient trading mechanisms to express these views and analyze the impact of trading themes on the entire portfolio.
  - This allows the ability to profit from asymmetrical risk/reward profiles across asset classes.
  - Risk metrics constantly monitored and evaluated: Value at Risk (VAR), DV01, liquidity, leverage, and internal portfolio correlation.
  - Pro forma stress test and simulations to help determine position size and risk tolerance.
4. Trade Implementation.
5. The process is constantly repeated. Portfolio themes and the vehicles used to express them are constantly competing for capital against potential new ideas, themes, and vehicles.



## Risk Management

- CWOC capitalizes on investment opportunities that have attractive risk/reward characteristics. CWOC vets each idea with its entire team and often sources industry specific experts outside the team to gain more information and other perspectives on potential opportunities.
- While CWOC uses leverage to increase its returns, we maintain a disciplined approach to managing the Fund's liquidity.
- CWOC frequently allocates an amount of collateral above what is required by our counterparties. This "cushion" is based on our internal VAR analysis, the liquidity of the instrument, the volatility of the instrument, and our judgment, among other factors.
- We run daily stress tests to analyze how the portfolio will perform in the most difficult environments.
- The entire portfolio can be liquidated within 48 hours.
- Daily VaR (2 standard deviation) rarely exceeds 1.0%.



# Portfolio Risk Overview

## 95% Monte Carlo 1-Day VaR (US\$ '000)

Asset Type	Standalone VaR	IVaR as % of total VaR
Credit Default Swap	455,270	44.8%
Equities	244,366	23.3%
Rates	120,174	16.8%
FX	133,410	9.7%
Commodities	60,457	5.4%
<b>Portfolio VaR &amp; % of AUM</b>	<b>702,957</b>	<b>0.86%</b>

Top VaR Positions	Standalone VaR	IVaR as % of total VaR
Position 1	444,626	36.7%
Position 2	155,624	5.5%
Position 3	108,069	-2.5%
Position 4	102,542	8.5%
Position 5	94,093	7.0%

Historical VaR	% of AUM
1 Month Trailing Portfolio VaR	1.23%
3 Month Trailing Portfolio VaR	0.69%
6 Month Trailing Portfolio VaR	0.55%

Annualized Historical Volatility	
1 Month Trailing Annualized 30D Vol	13.58%
3 Month Trailing Annualized 30D Vol	7.63%
6 Month Trailing Annualized 30D Vol	6.87%

## Net Notional Exposure Matrix

Asset	N. America	Europe	Japan	Others	Total
Credit Default Swap	41.0	17.2	(24.7)	(7.0)	26.4
Equities	9.8	0.0	2.8	1.5	14.1
FX (Gross)	0.0	0.2	0.0	117.8	118.0
Commodities	2.1	0.0	0.0	0.0	2.1
Sum of Total Notional <sup>3</sup>	52.9	17.4	(22.0)	112.4	160.6

<sup>3</sup> Excluding rates positions. Rates position total DV01 exposure = USD 24K

## Stress Tests

Scenario	Change in MV (%)
Lehman Brothers [2008]	-1.76%
911 [2001]	-2.02%
LTCM [1998]	-0.91%
Asian Crisis [1997]	-1.55%
Rate Rise [1994]	-0.75%
Black Monday [1987]	-5.78%
SPX +15%	3.55%
SPX -15%	-3.07%
UST 2-10YR Spread +50bps	0.46%
UST 2-10YR Spread -50bps	-0.54%
UST 2YR +50bps	1.39%
UST 2YR -25bps	-0.62%
UST 10YR +100bps	1.94%
UST 10YR -50bps	-0.85%

## Risk-Based Leverage by Asset Class

Asset	Net Notional (US\$MM)	Leverage (x)
Credit Default Swap <sup>1</sup>	26.4	0.3
Equities	14.1	0.2
FX (Gross)	118.0	1.4
Commodities	2.1	0.0
<b>Total<sup>2</sup></b>	<b>160.6</b>	<b>2.0</b>
Assets Under Management		82.2
Unencumbered Cash		56.1
<b>% of AUM</b>		<b>68.2%</b>

<sup>1</sup> CDS is net long+short positions

<sup>2</sup> Excluding rates positions. Rates position total DV01 exposure = USD 24K



## Executive Summary

<b>General Partner:</b>	CommonWealth Opportunity Capital GP LLC
<b>Master Fund:</b>	CommonWealth Opportunity Master Fund Ltd
<b>Feeder Funds:</b>	CommonWealth Opportunity Capital LP CommonWealth Opportunity (Cayman) Fund Ltd
<b>Investment Approach:</b>	Discretionary Global Macro
<b>Prime Broker:</b>	Goldman Sachs
<b>Risk Management Software:</b>	RiskMetrics
<b>Counsel:</b>	Sidley Austin LLP
<b>Administrator:</b>	Goldman Sachs Fund Administration
<b>Auditor:</b>	Rothstein Kass & Company P.C.
<b>Management Fee/Incentive Allocation</b>	2.0%/20.0%
<b>High-Water Mark:</b>	Yes
<b>Subscriptions:</b>	Monthly
<b>Redemptions:</b>	Monthly, with 45 days written notice
<b>Client Communications:</b>	Monthly Letter



## Indicative Trade



## Brazil Trade



# CWOC Brazil Trade

## Our View and Methodology

•Brazil’s healthy fundamentals and high yield fit our carry-and-roll-down investment theme.

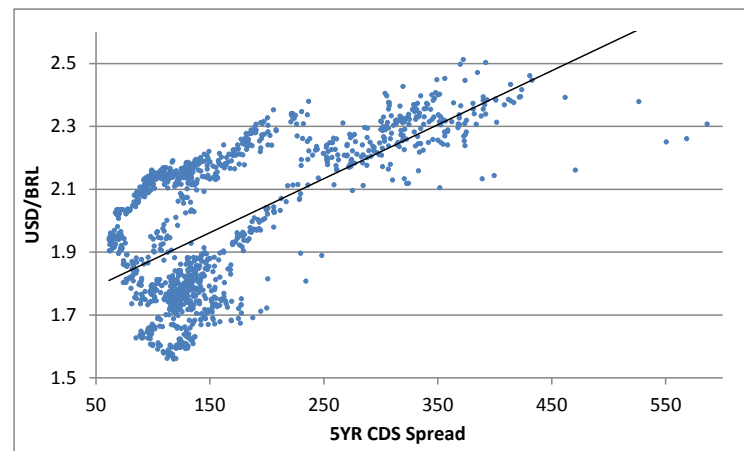
•CWOC Brazil Trade:

- Long a one year (zero coupon) Brazilian bond.
- Hedge out currency risk up to 16% depreciation in BRL through FX options.
  - 0% to 8% depreciation covered by yield and 8% to 16% depreciation covered by FX options.
  - Zero cost FX option hedge by selling a at-the-money call and buying a put spread (long 8.5% out-of-the-money put and short a 16% out-of-the-money put).
- Buy 5 year CDS protection on Brazil.

•The only risk of outright loss would require BRL to depreciate by more than 16% over the next year.

- This risk is mitigated by the high historical correlation between USD/BRL exchange rate and Brazil 5-year CDS spread (i.e. BRL weakening when spread widening).

## Regression Result: Brazil 5YR CDS Spread vs. USDBRL Rate\*



\*Data since August 2005 (5-year look back period)

Regression Statistics	
Multiple R	0.6458
R Square	0.4170
Adjusted R Square	0.4166
Standard Error	0.1768
Observations	1,298

ANOVA				
	df	SS	MS	F
Regression	1	28.994060	28.994060	927.053455
Residual	1,296	40.533047	0.031275	
Total	1,297	69.527107		

	Coefficients	Standard Error	t Stat	P-value
Intercept	1.703852	0.010528	161.833422	0.000000
X = CDS Spread	0.001719	0.000056	30.447553	0.000000



## CWOC Brazil Trade (Cont'd)

### Our View and Methodology

- The probability weighted levered return for the trade is approximately \$20%.
- Probability adjusted risk/reward ratio is 3.96.
- Potential currency risk might come from:
  - Upcoming election in early October this year.
  - Brazil's central bank is quite involved in the currency market.
  - Global economic environment remains challenging.

Scenario		Return	Assigned Prob
<b>BRL</b>	<b>Brazil CDS</b>		
Flat/Up	Flat	689,627	35%
Down 5% (@ 1.85)	Flat	145,502	25%
Down 8.6% (@ 1.9225)	Widen 60bps (@ 175)	18,836	20%
Down 15.3% (@ 2.0745)	Widen 60bps (@ 175)	(43,455)	14%
Down 26.8% (@ 2.4)	Widen 180bps (@ 300)	(697,324)	5%
Down 41.4% (@ 3.0)	Widen 330bps (@ 450)	(1,575,742)	1%
Probability Weighted Return			224,805
Expected Loss			(56,707)
Expected Return: Expected Loss			3.96

### Brazil Trade Structure<sup>(1)</sup>

Holding Period Assumption (# of days)	336/365
Notional Amount of Bond	17,579,000
Assumed Annual Yield on Bond <sup>(2)</sup>	10.10%
Base Case Yield on Bond (\$)	1,634,414
Notional Amount of BRL Put Spread	17,579,000
Cost of Option (%)	-2.23%
Cost of Option REAL	(392,012)
Notion Amount of Sold BRL at the Money Call Option	17,579,000
Proceeds from Option (%)	2.05%
Proceeds from Option Dollars	360,370
CDS Notional	10,000,000
CDS Spread	-117
Cost of Protection	(107,704)
DV01	4,818
Cost of Capital (%)	-1.4%
Cost of Capital (\$)	(226,552)
11 Month Base Case Yield (BRL)	1,186,886
Annualized Base Case Yield (BRL)	1,289,325
11 Month Base Case Yield (USD)	675,173
Annualized Base Case Yield (USD)	733,446

<sup>(1)</sup>Complete model available upon request.

<sup>(2)</sup>Yield assumption includes 100bps upfront haircut for transaction cost.

