

PANTERA IGS FUND

FREQUENTLY ASKED QUESTIONS (FAQS)

1. How can a fund that only invests in cash expect to make above average returns?

Pantera IGS invests the Fund's cash in time deposits (TDs) at large European banks to be used as cash collateral for new-issue MTNs and bond trade settlements. It does not invest in new-issue MTNs or bonds, it only trades them from the issuing banks to the institutional buyers at the same time for a small profit, and those profits would accumulate over time for anticipated above average returns.

2. How many trades does Pantera expect to transact and what is the Fund's trading limitations?

Pantera plans to do simultaneous buy/sell trades only at a profit, with a frequency of one to four times per week according to the amount of cash within the TDs as collateral for the settlement of the trades. The amount of cash in the TDs dictates the volumes and block sizes of the MTNs that the Fund can trade, therefore if there is more cash invested in Pantera, this would enable the Fund to do larger transactions that could translate into more trading profits.

3. Why can't the institutional buyers go directly to the issuing banks for these MTNs or bonds?

Because there are normally third-party intermediaries for any new-issue security such as a stock or a bond, and these intermediaries have trading relationships with the issuers as well as with the buyers. That is one of the reasons why there are brokerage firms and a financial industry. Also, there may be a conflict of interest between the issuing bank and an institutional buyer such as an insurance company, since they may be doing business together in some way.

4. Why are there not more public funds trading in bank MTNs?

It is difficult to set up a public fund with the ability to trade new-issue MTNs in this manner since most settlement banks cannot take "DVP" delivery of such instruments the way Pantera does, nor are they able to use the TDs as cash collateral for settlement, which makes Pantera unique.

5. So how have traders traditionally traded these MTNs for a profit if public funds for the most part have not participated?

Historically, MTN program traders use private asset accounts for such trades, and the owners of those accounts share in the profits much like Pantera does. However, there are sometimes long positions or short positions during this kind of trading within these private accounts, or differing trade dates which involve risk. Pantera can only do those MTN trades in which the buy/sell trades are done simultaneously, therefore dramatically decreasing risk such as market exposure, as well as offering principal protection and the transparency of a publically-listed fund.

6. What kind of debt securities are these bank MTNs and bonds?

These are non-structured, three to ten year senior debt obligations paying an interest-rate coupon which are issued by large banks as private placements. These MTNs are different from the normal bank bonds underwritten by traditional broker/dealers (BDs). The debt normally issued by banks through BDs are the large, multi-billion USD or EUR issues that are placed through syndicate desks, and mostly have low denominations of 1,000 – 5,000 USD or EUR which can be sold to retail investors and therefore must be accompanied by a registration statement with a regulatory body such as the SEC. The MTNs that Pantera trades are issued in smaller tranches and have 100,000 USD or EUR denominations not meant for traditional retail. Therefore, these MTNs and bonds would come at a better yield for institutional investors, but have the same payment obligations from the issuing banks as the large issues.



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7. What exactly is the “Principal Protection” that Pantera IGS Fund offers investors?

Pantera IGS invests the Fund’s cash in six-month and one-year TDs at large European banks with a credit rating of “AA-” or higher. As with any time deposit or CD, the depositor gives the bank a sum of money to be paid back at the end of the term, plus interest. Therefore, the bank guarantees those deposits as direct obligations, so Pantera’s investors can be assured. There is, however, the exposure to systemic risk where a large bank may fail, even if it may be remote.

8. How does Pantera IGS calculate the Fund’s Net Asset Value (NAV), and why is the NAV expected to have a low volatility yet also expected to show higher returns?

The NAV is calculated monthly and is merely a function of the cash position within the Fund. Again, Pantera is only invested in TDs, has no long position in securities, and the Fund’s cash trading account is at the custodian bank RBC Dexia Securities Services Luxembourg. The sum of the cash is simply the total amount of cash in the TDs plus the cash in the trading account, which is “flat” at the end of every trading day. After each MTN trade, the amount of cash in the trading account would increase from the profits from each trade, therefore the cash position would go up, so the NAV would increase.

9. What is the downside return risk for the Pantera IGS Fund?

Other than a counter-party bank failure or a trade error, the downside is the rate returns of the TDs in which Pantera is invested, less the 0.85% management fee. If MTN trading programs should cease, which would be unlikely, the Fund would have a minimum return of the TD rates minus the management fee in the event it stops trading in MTNs.

10. What is the Fund’s redemption policy?

Pantera IGS has a monthly redemption policy with 30 days’ notice. Pantera IGS has no lock-up period, and there are no redemption penalties.

11. What exactly is the Fund’s Hurdle Rate, and how do the performance fees work?

Pantera has a high Hurdle Rate, or High Water Mark. The Fund offers a 9% Hurdle Rate because Pantera is confident that it will exceed that rate. The performance fee only activates above 9%, and then Pantera would receive 30% of the trading profits. There is an additional 20% bonus performance fee which activates only if the returns go above 15% returns.

12. So who can invest in the Pantera IGS Fund, and why should you consider Pantera?

Pantera is open to institutional accredited investors, funds of funds, cash management funds, fixed income funds, alternative investment funds, sovereign funds, and private asset management funds. Pantera provides investors with the ability to take part in the expected upside of low-risk MTN and bond trading programs within a Luxembourg fund structure that offers principal protection, as well as transparency and accountability.

