Global income opportunities in the listed Small Cap Sector

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CAPITAL ADVISORS

Bob Press, CIO

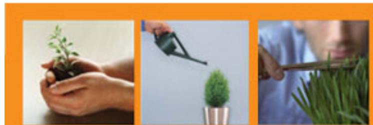
Trafalgar Capital Advisors,

Providing Financial Solutions for Small and Mid sized Companies

PortfolioConstruction Conference 2009

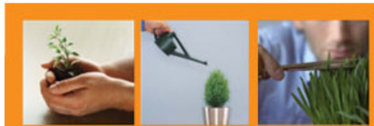
SME’s defined

- In most countries, SME’s refer to small and medium sized enterprises with up to 500 employees.
- The Australian Bureau of Statistics defines a small business as one that employs up to 20 people, and a medium enterprise as having no more than 200
- EU Member States define companies with fewer than 50 employees as small and those with fewer than 250 as medium.
- In the United States, a small business refers to a company with fewer than 100 employees and a medium-sized business defines those with up to 500 employees.
- Canada defines an SME as any business establishment with 0 to 499 employees and less than $50 million in gross revenues.



Economic impact of SME’s

- SME’s make up a significant portion of developed countries economies
- SME’s have been one of the largest contributors to overall employment growth year over year
- 1997 Statistics count about 18 million SME’s in the European Union and over 15 million in the United States
- SME’s in Europe contributed over 55% of sales compared to 47% in the US based on 1995 numbers. In 1998, European SME’s provided 65% of turnover



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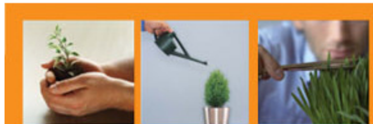
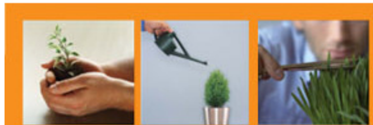
Competitive advantages of SME’s

- SME’s often are a product of innovation
- SME’s most valuable asset is often in the form of intellectual property
  - patented, secured and unique
- SME’s maintain competitive advantages over larger businesses in product and sector
- SME’s innovation and exclusivity provide opportunity for accelerated growth, allowing investors to achieve high yield in short duration



Advantages of lending to SME’s

- Less bureaucracy and less inertia
- Thinner management ranks which allow for quick turnaround time in decision making process
- Smaller capital budgets = increased opportunity for lenders to “fill the gap”
- Immediate and available equity component to exponentially increase upside to lenders



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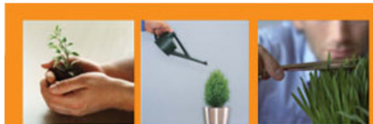
Financing challenges for SME’s : Origins

- Bank debt: ties up all corporate assets
- Secondary issues are lengthy, costly and dilutive, uncertain and almost always conducted on a “best efforts” basis
- Management desperation often leads to poor use of available capital on hand, ie; paying consultants and other financiers ahead of actual funding
- No access to cross-border financings
- Current credit crisis further reducing financing options



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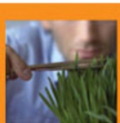
SME’s access to capital: Today

- Traditional financial institutions are no longer able to adequately meet the needs of potential borrowers
- SME’s are facing INCREASED difficulty obtaining debt capital when the cost of lending is too high to be economical for larger financial institutions
- Financial institutions lack flexibility in terms and conditions on loans to SME’s
- Lenders in general cannot bear the risks associated with this class of debt





The SME financing risk factor for investors

- Most small new firms lack track record and business relationships needed to secure traditional funding
- Investing in SME's means taking a high risk; market is suitable only for well-informed investors who are aware of the risks that they run
- To reduce risks, banks as well as smaller creditors require guarantees to their lending, materialized in collateral assets and the issuance of personal loan guarantees as well as the potential securitization of all of the assets of the Company, particularly the valuable IP

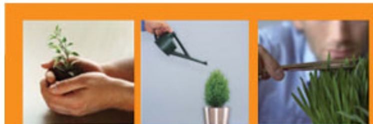
The SME financing opportunity for investors

- SME's lack appropriate resources to put in place effective risk management practices, and have to navigate through trial and error to achieve sound financial growth

- Alternative investment funds can mitigate these risks by offering the necessary knowledge, resources and financial advice to these SME's, while simultaneously monitoring the borrowers' activities from an external viewpoint.

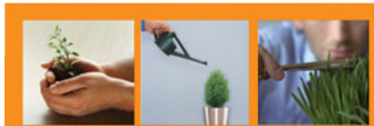
- Lenders can then hand pick the best investments out of the demand pool based on the companies' willingness to pay the going rate (interest rate, cost of capital) and their ability to repay the borrowed funds

- Equity taken as fees or kickers have a 1 in 20 statistical chance of increasing in value by 1000's of percent.



The SME financing challenges for lenders

- Default rate ratio
- Business failure risk (year 1 over 2 etc)
- Depreciation of assets
- Market –Cap instability/volatility
- Valuation methodology



The SME financing opportunity for investors, again…

Why the strategy works

- Strong demand for SME "event finance"

  - Credit crunch and Basel II driving alternative finance
- Unique conduit for investors into selected growing SME's
- Strong demand for uncorrelated investment returns
- Strong demand for low volatility return profile



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Trafalgar Capital

Specialised Income Fund

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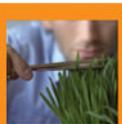
The TRAFALGAR CAPITAL proposition to SME’s

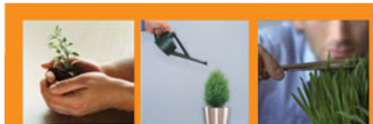
- Alternative lenders have higher risk tolerance to achieve higher returns
- The closing process is less bureaucratic and expedient once a term sheet has been signed (30-40 day total process)
- Borrowers have access to Investment Banking and Corporate Finance professionals to assist in further financings, structuring and general high level oversight.
- Dilution to investors can be largely mitigated through repayment in cash versus issuing heavily discounted stock or bringing in equity investors; allows original shareholders to maintain control;
- Investor remains largely passive- no day to day interference in operations unless requested, no board seat unless Investor feels weakness present





How TRAFALGAR CAPITAL manages risk

- Constructing the portfolio in order to maintain a 5% exposure maximum to any given counterparty
- Diversification across industry segments and geographical areas
- Take zero political risk
- Maintaining regular direct contact with all portfolio companies ;relationship driven approach is the largest risk mitigation tool.
- Offering structures that take no directional market risk and try to limit duration of investment
- Obtaining as much information flow as possible from which to evaluate ongoing investment risk with investee companies



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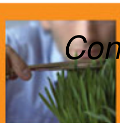
ROI ILLUSTRATION

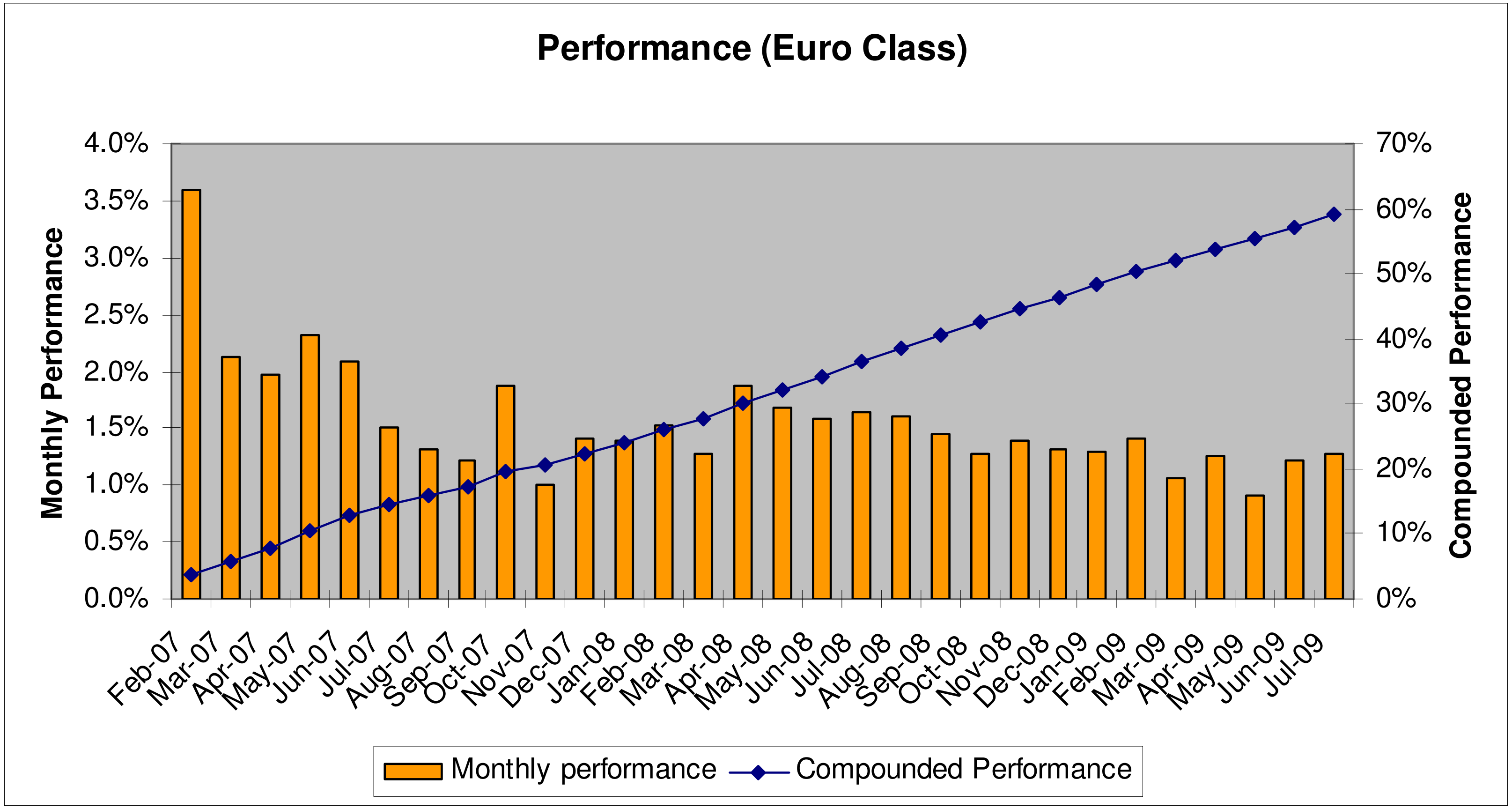
Terms	Scenario 1	Scenario 2	Scenario 3
Principal	2,000,000.00	1,000,000.00	500,000.00
Coupon	10%	10%	10%
Equity Component	1 - 5 times	1 - 5 times	1 - 5 times
Additional Premium	12%	12%	12%
Administration Fees	4 - 8%	4 - 8%	4 - 8%
Fund IRR	20-30%	20-30%	20-30%
Net Return to Investor by month	.1-1.5%	.1-1.5%	.1-1.5%

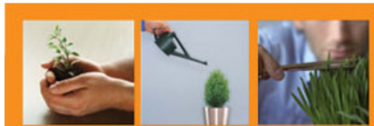
(Discounted at closing)





TRAFALGAR CAPITAL Performance to Date





Closing Comments:

- Questions & Answers