VegaFunds

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Investment Objectives and Adaptability

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Over the past ten years, benchmark indices have experienced unprecedented volatility. Despite periods of significant losses, opportunities for profit have been consistent. Investors need to have confidence when putting their life earnings in someone else's hands. Vegafunds managers have proven experience utilizing research and options hedging strategies to capitalize on market trends.Our objective is absolute return on investment while consistently beating returns of the S&P 500.

As of April 25, 2013, VegaFunds principal hedge fund has a value of $661,188.50 verse an unhedged value of $656,222.50. Against the risk free rate of 0.05%, the risk adjusted rate of return for the fund is 34.9%. In addition, the Sharpe Ratio is 146.11 units of excess risk per every unit of standard deviation. This performance is exceptionally better against a market Sharpe measure of 42.24. VegaFunds has adapted to capitalize on risk in the market for its shareholders.

In today's market, hedge funds need the capacity to easily adjust to changes in the financial environment to be successful. Our investment horizon is very short-term allowing fund managers to easily adapt to changes in the macro and micro environment. The portfolio consists of numerous options hedges, each with expiration dates of no more than four months into the future. In addition, our range of small to large cap securities (all with significant daily volume) allows for high liquidity and the ability to enter and exit positions quickly. Expert equity and market research is the backbone of our portfolio diversification strategy.

VegaFunds will market to young investors looking for returns beyond the market indices, but able to handle the increased risk we take. Our management fees with be competitive and determined based on an equalization factor approach, in which we can publish one NAV.

Historically, hedge funds were hit hard by the recession and short biased and macro funds were the only funds to see significant gains. We believe in 2013 and beyond Vegafunds as a long/short equity fund is positioned to compete against the best managed portfolios and earn returns better than the market and our competitors.

Principal Investment Strategies

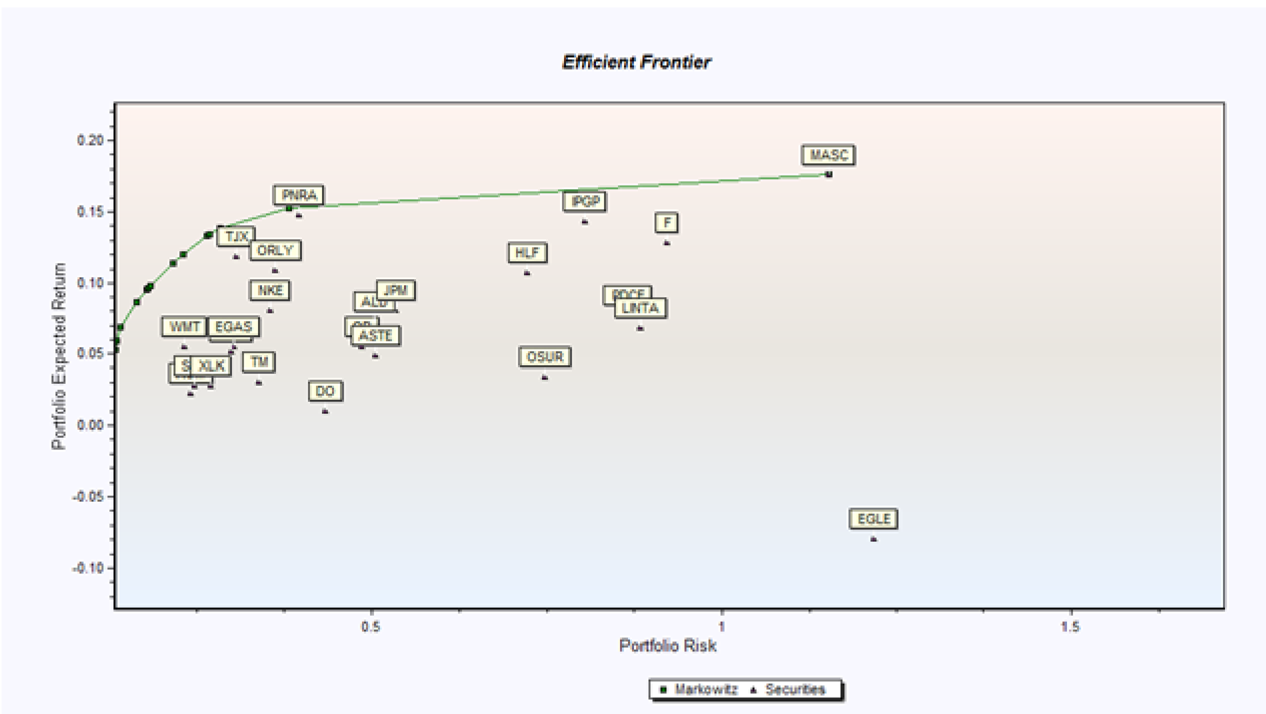
VegaFunds' principal investment strategy is to beat the annual S&P 500 return through long/short equity and option trading. While diversification is important, there will not be a concrete approach to allocation of capital by sector. Our skilled team of fund managers look for the greatest growth opportunities based on common sense investing and proven investment strategies. The fund will be managed both actively by our managers as well as through high-tech algorithmic automated trading.

Principal Risk factors

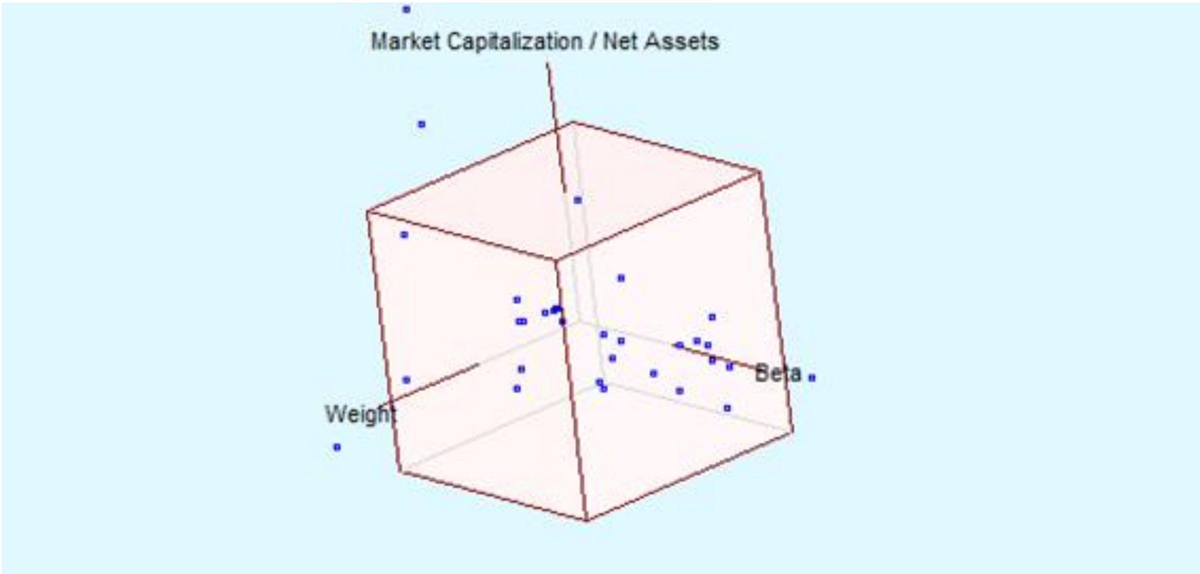
As a small hedge fund, VegaFunds is subject to less than favorable prime-brokerage and borrowing arrangements. Though most small hedge funds are subject to the risk of losing skilled investment professionals, VegaFunds’ founders are dedicated to the performance of the fund. As the fund grows, it will be able to attract a greater amount of experienced investors.

VegaFunds does not specialize in small, mid, or large-cap risk. The market cap of the equities in our portfolio range from small cap companies under $1 billion to some of the largest companies in the world. These equities are also spread across various industries from energy to consumer discretionary. Doing this subjects the fund to minimal sector-specific risks.

Efficient Frontier



The optimum portfolio allocation strategy based on the efficient frontier is above. The top line represents the highest return for given level of risk. VegaFunds is utilizing Markowitz’s concept by appropriating a high weight in PNRA (Panera Bread Inc). Our portfolio is weighted in Panera Bread at 12.918%.



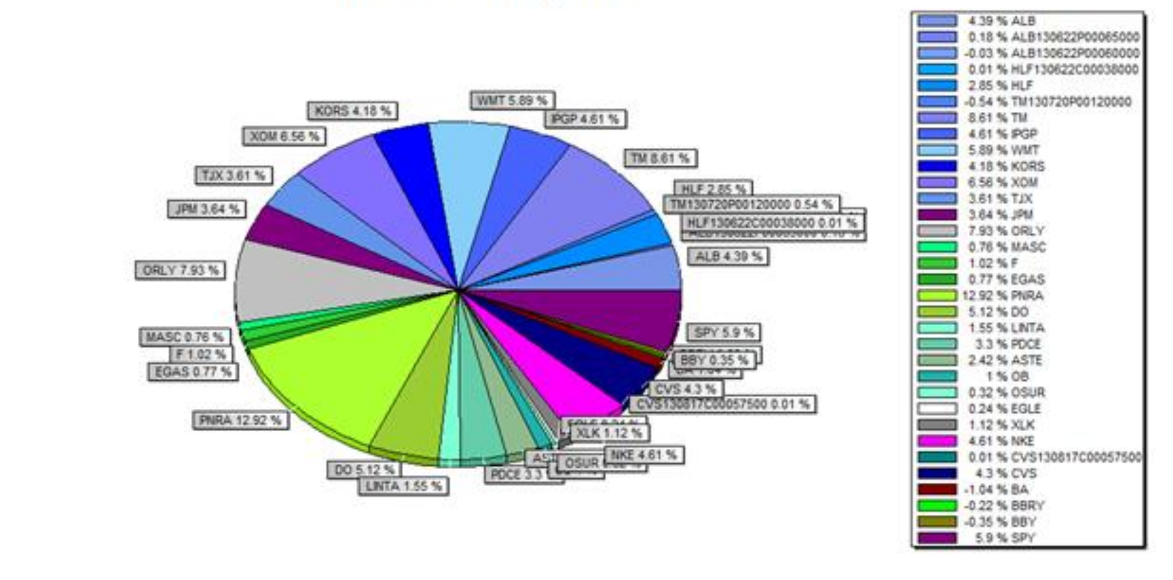
The diagram above illustrates the market cap, weight, and beta of each holding in our portfolio. As seen, there are several outliers for each category. Exxon Mobil and Walmart are the highest market cap equities in the fund while Panera Bread and Toyota hold significant weight. The beta measurements are spread out fairly evenly.

Sector Analysis

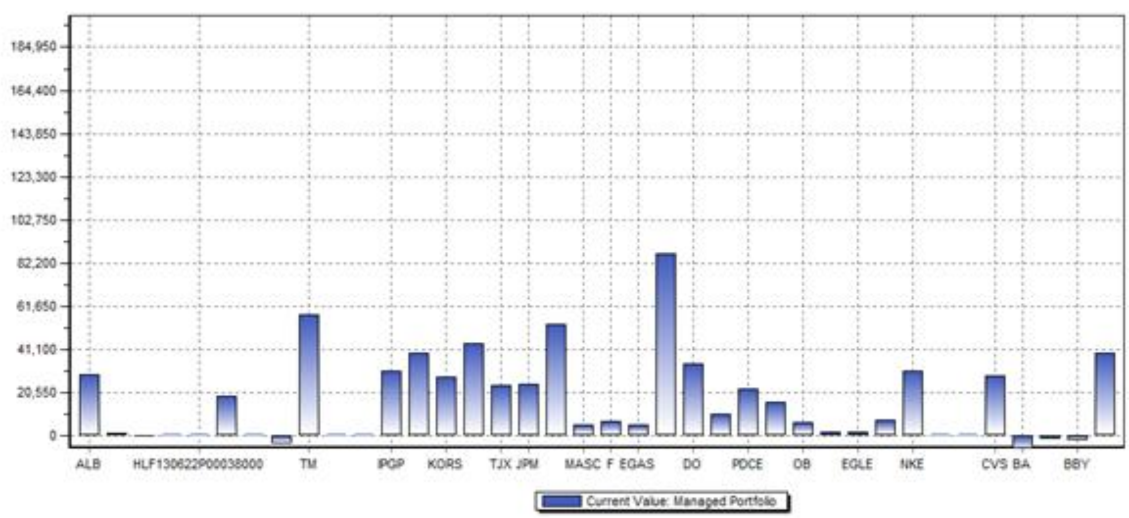
VegaFunds does not allocate holdings based on a sector diversification strategy. Currently, the fund is weighted highly in the services sector with 40.98% of portfolio value and positions in seven companies. Due to an approach of equal investments in equities by quantity of shares, the fund is exceedingly invested in Panera Bread Co. The next most weighted sectors are Basic Materials and Consumer goods with 19.36% and 14.24% respectfully.

The following diagnostic charts are the value of the positions in the portfolio. As illustrated, we are very diversified throughout the securities in our portfolio, with Panera Bread Inc. being a clear outlier.

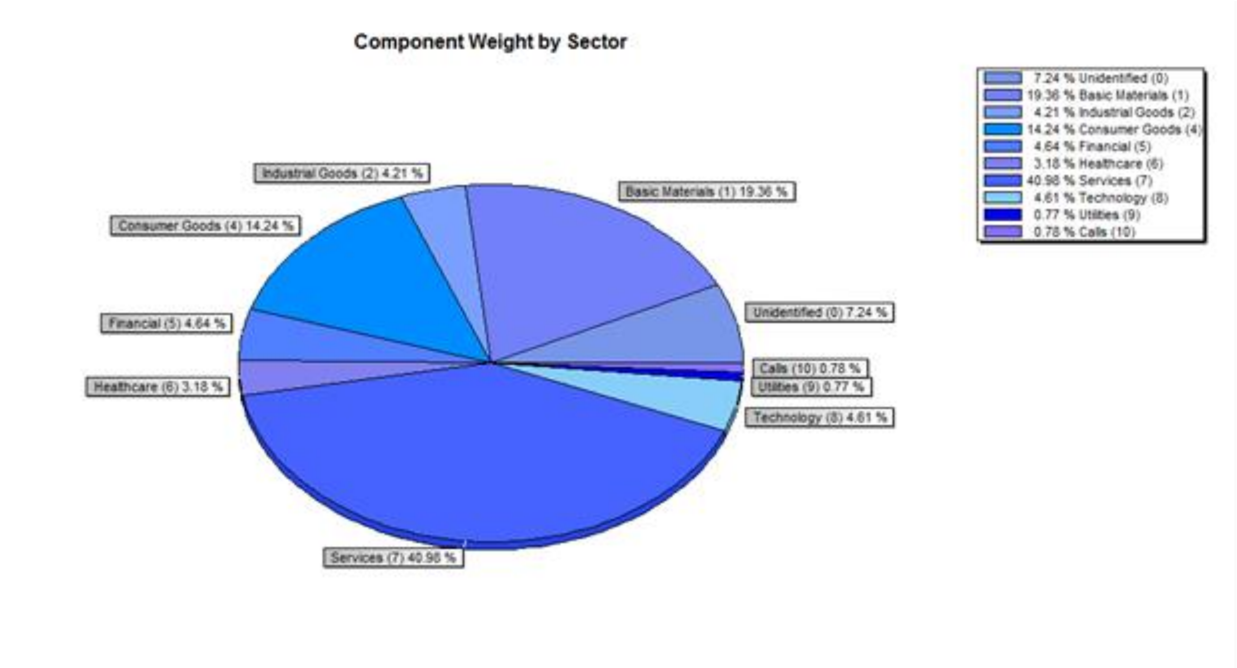
Current Portfolio Value Composition

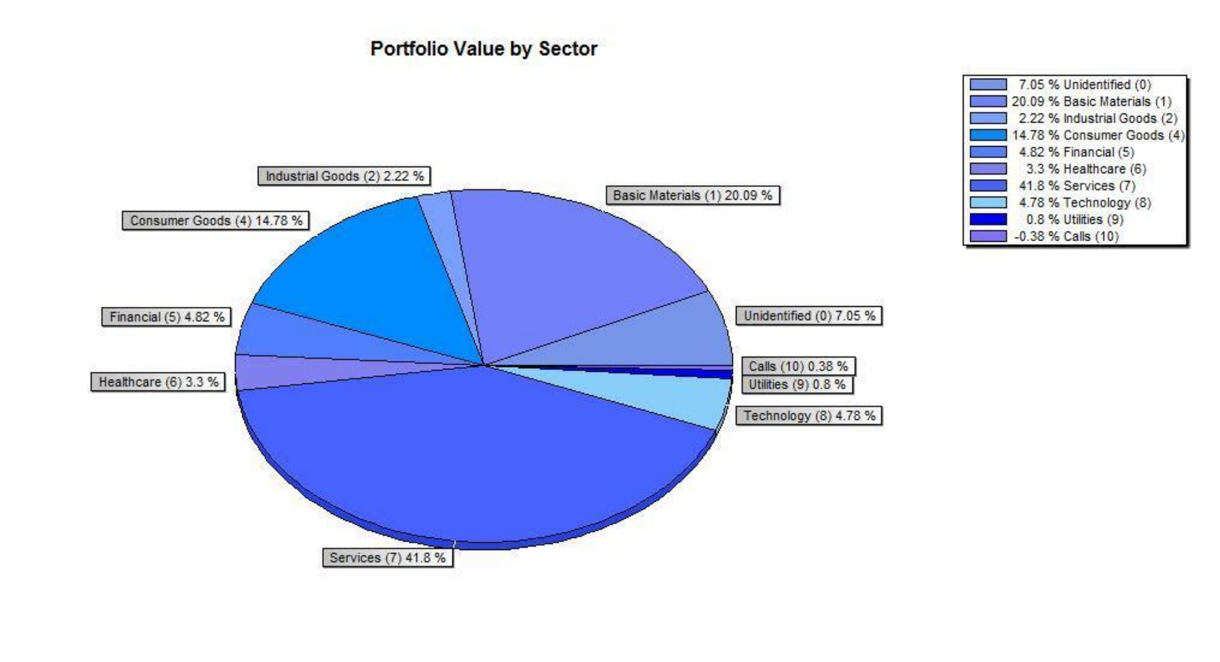


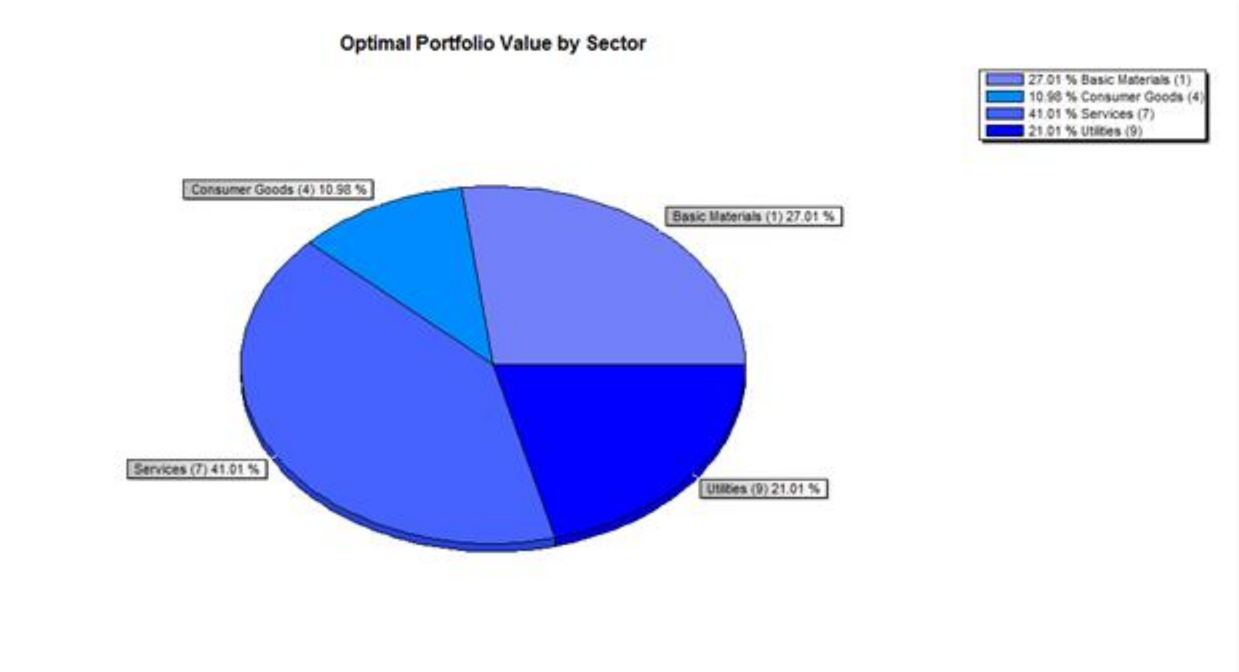
Individual Component Value: Managed v/s Optimal



Current position weights by sector for the portfolio:





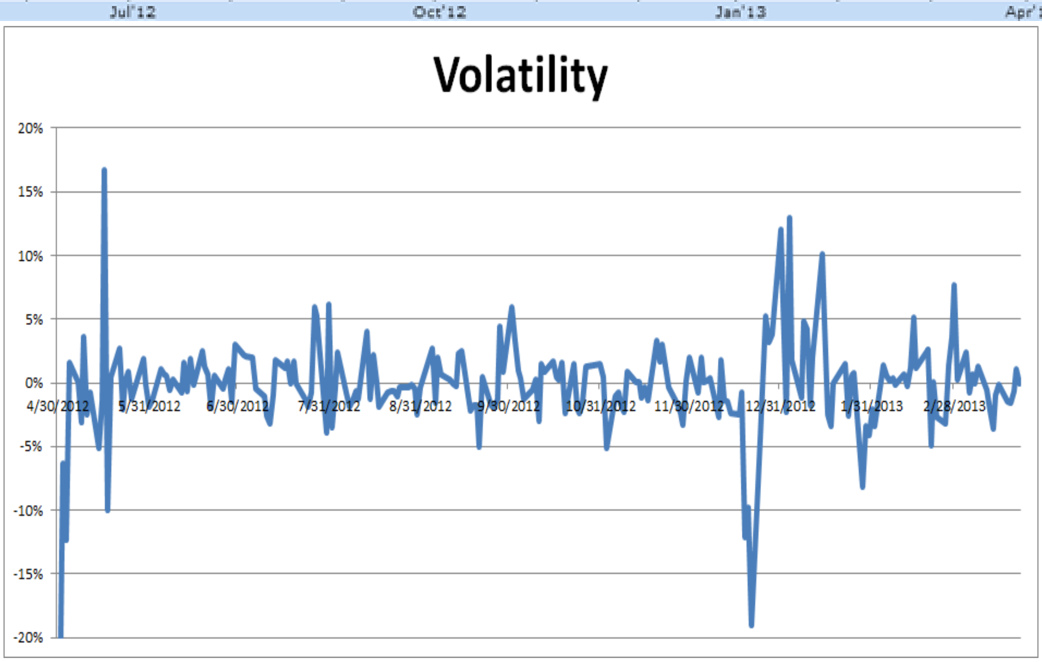


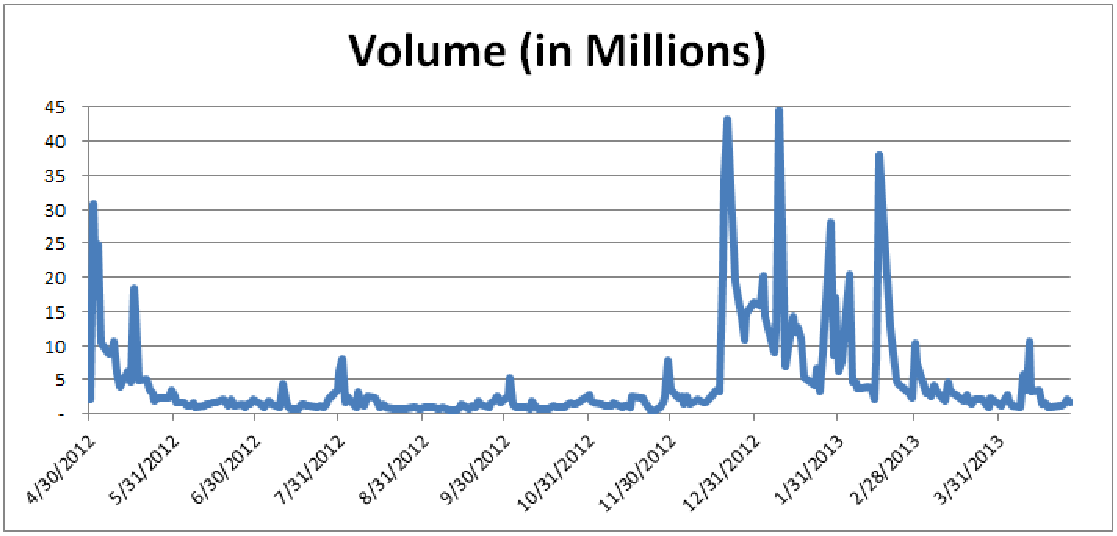
Despite considerable weight in the services sector, our portfolio closely matches the optimal portfolio, with the exception of utilities positions.

Micro-Hedge Portfolio Components

Herbalife (NYSE: HLF)

Due to the ongoing hedge fund wars between several high profile hedge fund managers, Herbalife has experienced tremendous volatility in the market. Because of this, VegaFunds elects to use a long straddle strategy for Herbalife. As you can see by the following charts, Herbalife has been experiencing massive day-to-day price changes and a heavy increase in volume. In the past 120 trading days alone, Herbalife has seen a change of +/- 3% approximately 25% of the time. A long straddle will capitalize on both positive and negative returns.




Volume (in Millions)
45
40
35
30
25
20
15
10
5
-
4/30/2012
5/31/2012
6/30/2012
7/31/2012
8/31/2012
9/30/2012
10/31/2012
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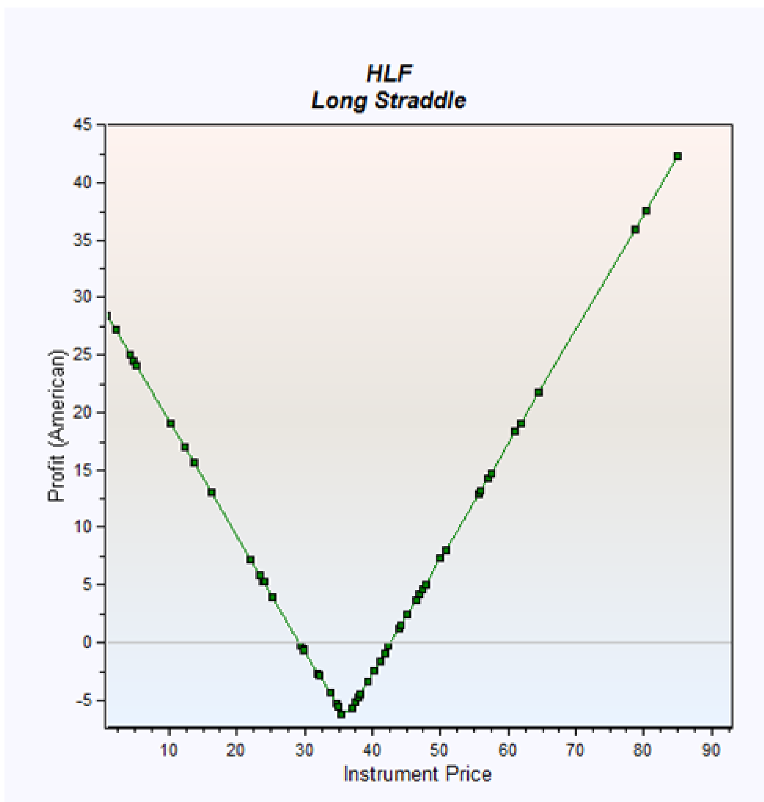
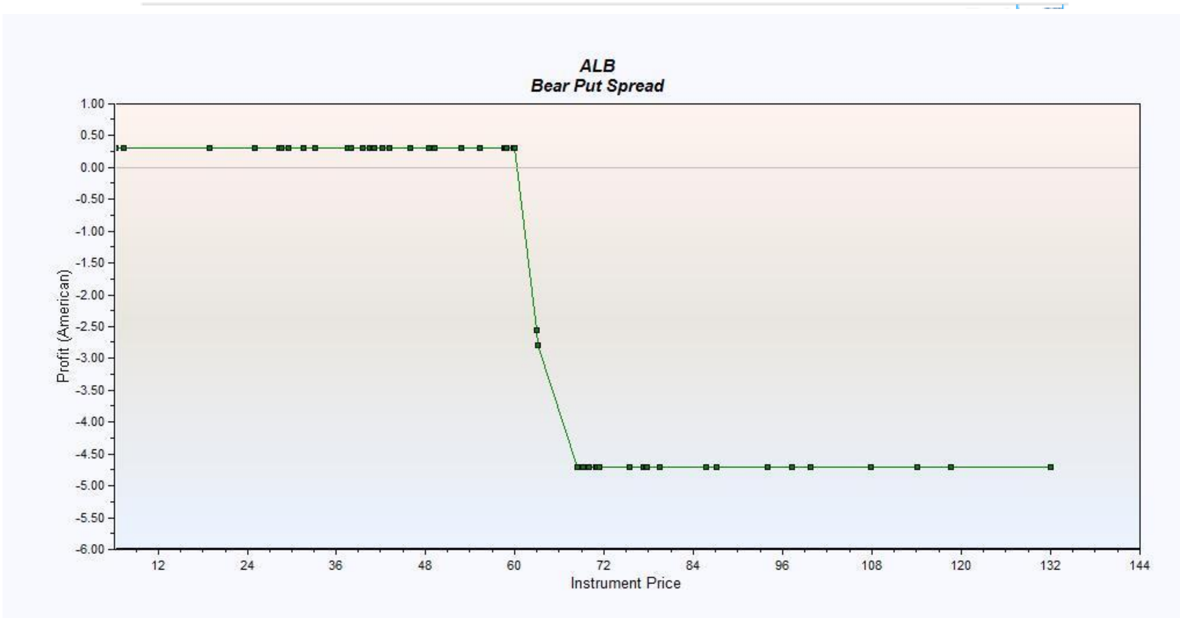
1/31/2013
2/28/2013
3/31/2013


HLF
Long Straddle
Profit (American)
Instrument Price
45
40
35
30
25
20
15
10
5
0
-5
10
20
30
40
50
60
70
80
90

Albemarle (NYSE: ALB)

One of our managers researched Albemarle Corporation in the URI Ram Fund last semester. After hitting its price target in the first quarter, the specialty chemical company reported a miss in earnings. VegaFunds initiated a Bear Put spread on Albemarle to profit on the fall in stock price. As of April 25th, the long position was reporting a loss of $1,609, however with the hedge there was a net loss of only $1.



Short Positions

We initiated three short positions:

BestBuy (BBY)

BestBuy is a consumer electronics retailer based in the United States. Over the past couple of years the company has seen increased competition from online retailers, such as Amazon Inc., and lost considerable market share.

Blackberry (BBRY)

The maker of smart phones and tablets, Blackberry was extremely popular in the 2000s. Over the past two years, the stock price has lost 67% of its value. Despite a rebound due to the current bull market and recent announcement of its Z10 and Q10 devices, we believe Blackberry will continue to fall and Apple and Samsung to continue their dominance in the smartphone market.

Boeing (BA)

Boeing is among the largest global aircraft manufacturers made up of multiple business units. Their most recent plane, the 787 dreamliner, was grounded across the world on January 16, 2013 for issues relating to their batteries. Our short position was initiated days before all 787's were back in the air and Boeing's earnings were released. Unfortunately we speculated wrong about their earnings and the short position has been a loss as Boeing has "taken off".

Macro-Hedge and Back-Test Hedge Fund

Average and Geometric Returns

VF:	0.33%
Market:	0.09%
Optimal:	0.07%
Unhedged:	0.09%

Average daily returns on VegaFunds since November 1st, 2012 is more than triple that of the S&P 500, optimal, and unhedged portfolios.

Standard Deviation

VF:	0.83%
Market:	0.77%
Optimal:	0.67%
Unhedged:	0.83%

Based on standard deviation, our fund has more variance and volatility than the market. One unit of standard deviation for VegaFunds is 0.83%

Sharpe Ratio

VF:	146.11
Market:	42.24
Optimal:	38.08
Unhedged:	38.49

Over the investment period, VegaFunds provided more than 146 units of excess return per unit of standard deviation. This is more than triple the market, optimal, and hedged portfolios, which shows that VegaFunds is giving you the best possible returns on your investment for every unit of additional risk we take on.

Treynor Ratio

VF:	1.20
Market:	0.32
Optimal:	0.63
Unhedged:	0.32

Over the investment period, VegaFunds provided 1.2 units of excess return per unit of Beta. This is almost four times the return than the S&P 500 per unit of Beta.

VaR

VF:	$25.90 / 1.29% (Indexed)	$10,783.74 / 1.29% (Unindexed)
Market:	$22.35 / 1.41% (Indexed)	$22.35 / 1.41% (Unindexed)
Optimal:	$18.13 / 1.24% (Indexed)	$8,145.89 / 1.24% (Unindexed)
Unhedged:	$22.94 / 1.53% (Indexed)	$10,037.87 / 1.53% (Unindexed)

There is a 5% chance that our portfolio could lose $10,784 in one day. This can also be seen as 1.29% of VegaFunds' value. When compared to the indexed levels of the three other portfolios, VegaFunds puts significantly more value at risk: $25.90 could be lost in a day versus $22.35 of the market. However, VegaFunds loses less of its *total* value than the S&P 500 at 1.29% versus 1.41%.

CVaR

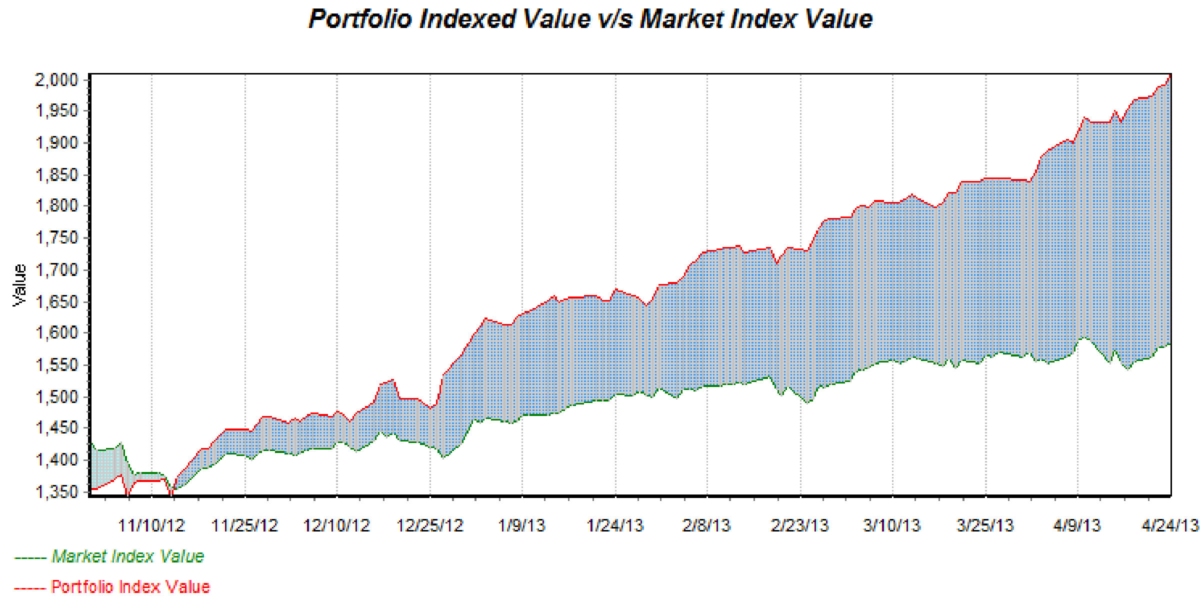
VF:	$45.34 / 2.26% (Indexed)	$18,877.31 / 2.26% (Unindexed)
Market:	$29.64 / 1.87% (Indexed)	$29.64 / 1.87% (Unindexed)
Optimal:	$23.79 / 1.62% (Indexed)	$10,685.00 / 1.62% (Unindexed)
Unhedged:	$30.12 / 2.01% (Indexed)	$13,182.11 / 2.01% (Unindexed)

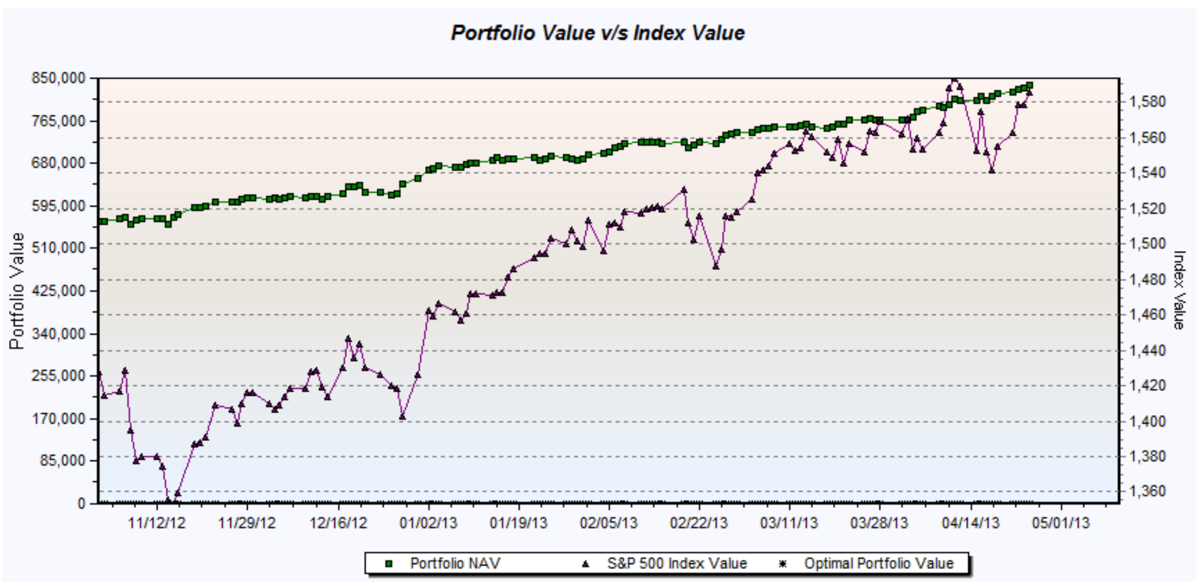
Under the worst case scenario, our portfolio could lose more than $18,877—or 2.26%—of its value at the 99% confidence interval. Indexed against the S&P 500, VegaFunds could lose $45.34 versus $29.64.

	Sortino	**Omega**	**Sharpe-Omega**	**M^2**
VF:	65.96	1.31	0.60	-0.007
Market:	48.64	1.00	0.13	0.000
Optimal:	55.85	1.14	0.12	0.010
Unhedged:	50.08	0.94	0.11	-0.004

Graphical Analysis

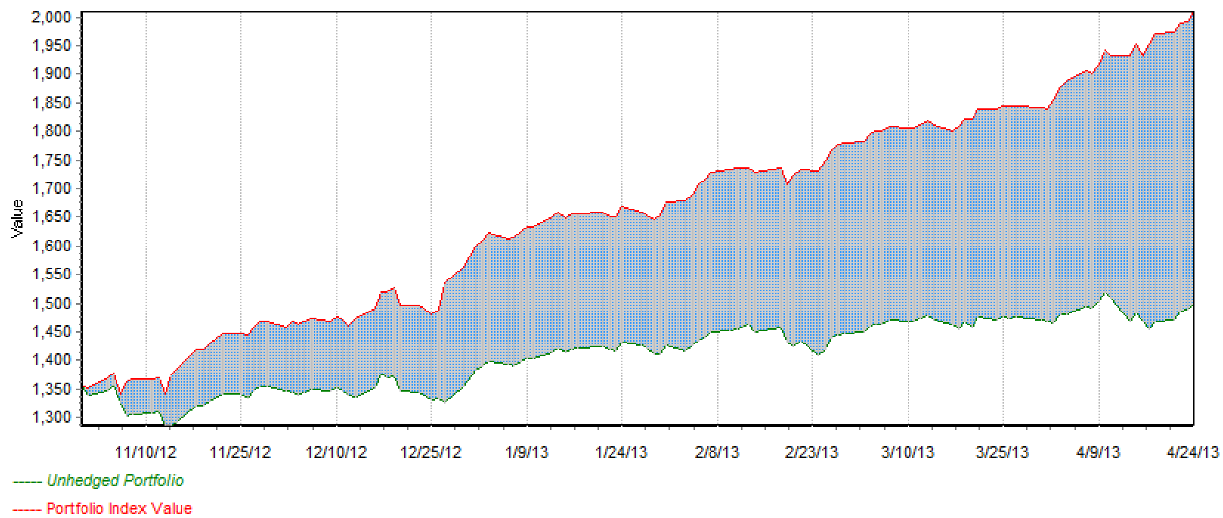
The following chart tracks the indexed values of the portfolio and of the market over the course of the investment period. The portfolio index value was lower than the market index value in the beginning, but significantly outperformed the market index over the last 4 months.



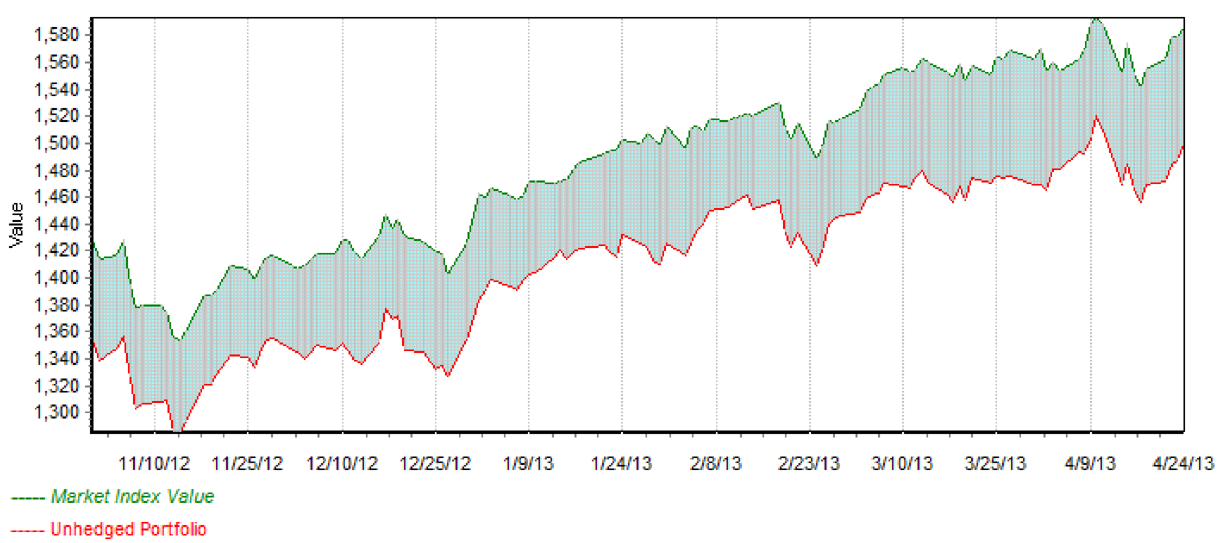


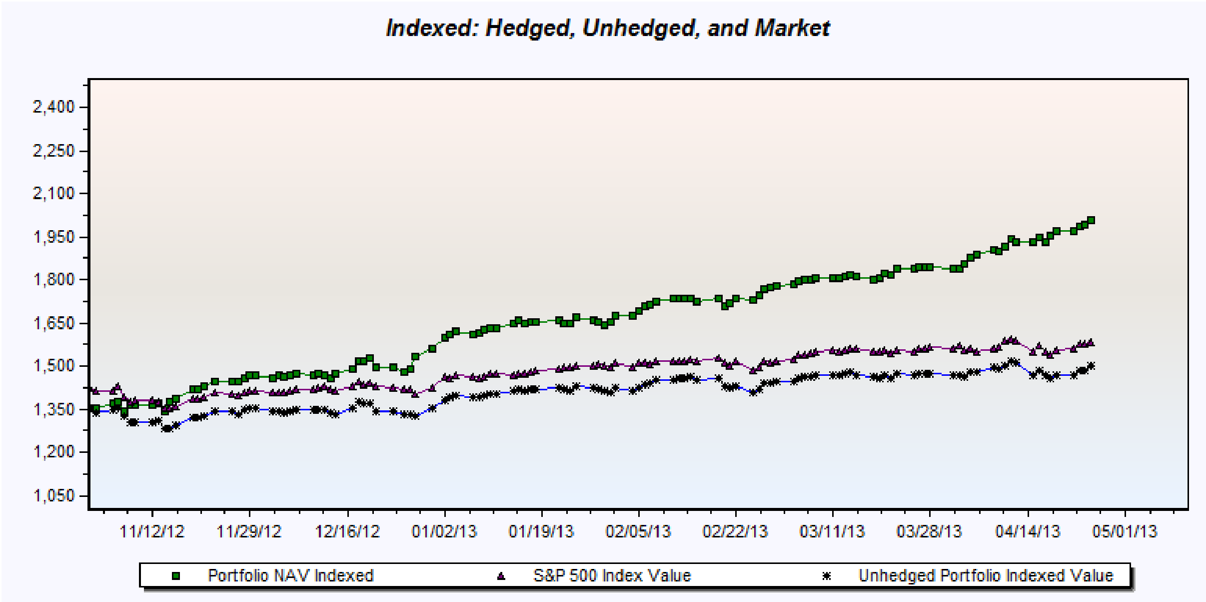
The following charts display the indexed values of the market, hedged and unhedged portfolios for the duration of the investment period. It is evident that the correct use of hedges in a portfolio outperforms both the market and unhedged index values.

Indexed: Hedged v/s Unhedged Portfolios



Indexed: Unhedged v/s Market Portfolios





Conclusions

VegaFunds has performed beyond expectations and outperformed the S&P 500 significantly. Our fund has stayed extremely adaptable to the market and options strategies, such as an IPGP option, have been liquidated. The fund has participated in bullish market trends and our Sharpe Ratio is considerable high compared to the unhedged and market index. Against bear markets, the fund did protect against losses, to an extent, and the Albemarle hedge is the best instance of a loss protected strategy.