



Nephila Capital Ltd

- Manages catastrophe **reinsurance related investments** for MLC, since 2007
- Manages \$4 billion, across the Company, as at 30 June 2011.
- Origins dating back to 1997
- Based in Bermuda, the financial centre of the specialist natural catastrophe reinsurance market.

Why has MLC chosen Nephila?

MLC has appointed Nephila to manage Insurance Related Investments (IRI's) due to their investment experience and expertise in the management of natural catastrophe and weather related reinsurance risk exposures.



Nephila relocated from London to Bermuda in 1999. Bermuda was at the time viewed as a rapidly evolving reinsurance market and the move was considered essential to grow the business and to deepen the existing relationships within the reinsurance market. Bermuda has since proven to be the jurisdiction of choice for many re/insurance companies, as demonstrated by the number of start-ups following the terrorist attacks of Sept. 11, 2001 and the hurricanes of 2005. Bermuda is considered the centre of catastrophe reinsurance expertise and is now one of the largest reinsurance markets in the world estimated to provide over 50% of the worldwide property catastrophe capacity.

In 2010 Nephila Advisors LLC was established in San Francisco, CA, predominantly to assist in investor relations and business development in the United States.

Philosophy on investing

Nephila has a singular focus on providing innovative ways for capital market investors to gain exposure to the returns available from taking on insurance risk. The firm was early to identify the potential for institutional investors to participate in the growing securitisation of reinsurance, and has gone about identifying innovative ways to affect this risk transfer through non-standard methods. Nephila maintains a strong focus on balancing the return potential as a capital provider to the reinsurance market, with a strong focus on the management of tail risks.

Investment Process

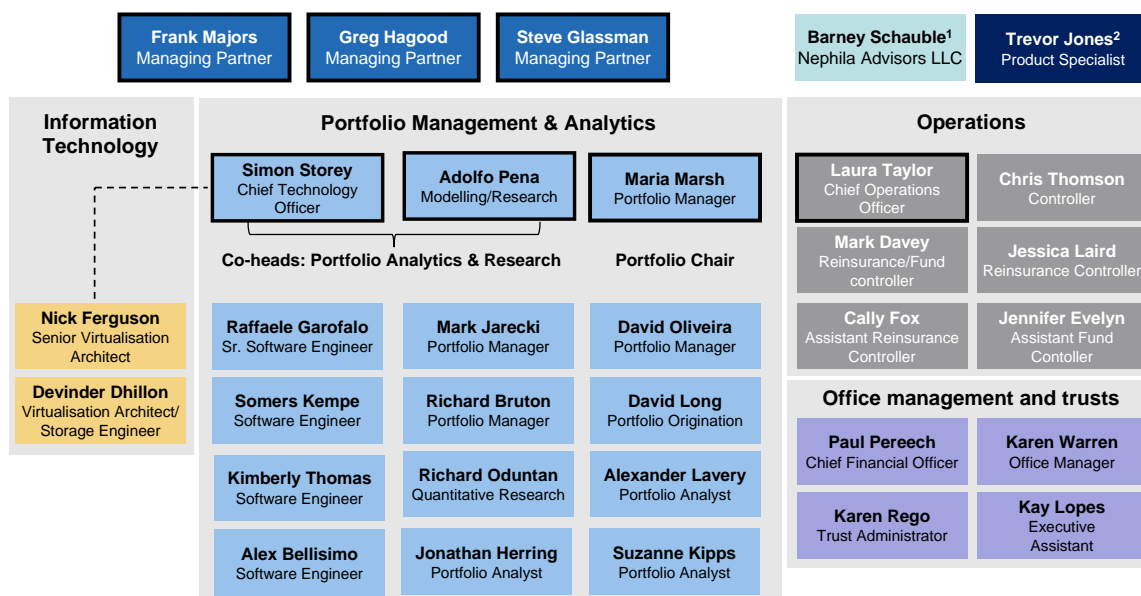
Nephila employs a bottom up, research oriented investment approach. Nephila's research effort focuses initially on understanding the loss estimate for each exposure. The starting points for these assessments are the industry standard loss models developed by specialist modelling firms. Nephila then seeks to use its risk management expertise, underwriting experience and the assistance of specialist third party experts to develop a deeper understanding of the assessment of risk. Nephila's ability to access reinsurance risk through a variety of methods adds to their ability to add value from segmentation effects that exist within which they transact. Lastly, Nephila typically seeks to implement their strategies where risk is best rewarded, maintaining a focus on mitigating tail risk exposures through appropriate diversification.

Portfolio construction research has focused on relative value among catastrophe market sectors (e.g. traditional reinsurance, retrocession, ILWs, or cat bonds); with an emphasis on matching portfolio risk return parameters with investor appetite and expectations. Nephila has conducted extensive research into quantifying investor preferences, which has resulted in their unique method of constructing and measuring portfolios versus an objective measurement of investor utility (OPTIScore).

Investment people

Nephila currently employs thirty people who all live and work in Bermuda. Barney Schauble, the sole employee of Nephila Advisors LLC works in San Francisco, California.

The team structure at Nephila is a reflection of the company's culture and highlights its focus on team work. Each area is closely integrated with the rest of the company which facilitates a broad knowledge base and encourages communication across the various business segments.



 Principals / Management Committee (7)

Source: Nephila Capital Ltd database.

1. Barney Schauble has an advisory relationship with Nephila Capital through Nephila Advisors LLC.
2. Trevor Jones is Nephila Product Specialist (Man Group).

Background on the Managing Partners of Nephila Capital and Manager of Nephila Advisors LLC is provided:

Frank Majors

Frank Majors is a principal and co-owner of Nephila. Mr. Majors formulates investment strategy and oversees risk management. Mr. Majors has over 19 years industry experience. Mr. Majors attended Vanderbilt University on a National Merit Scholarship, receiving his B.A. in Economics in 1990 and an M.B.A. in Finance from the Owen Graduate School of Management at Vanderbilt University in 1991. Mr. Majors also is a holder of the CFA designation. Mr. Majors attended Vanderbilt University on a National Merit Scholarship, receiving his B.A. in Economics in 1990 and an M.B.A. in Finance from the Owen Graduate School of Management at Vanderbilt University in 1991. Mr. Majors also is a holder of the CFA designation.

Greg Hagood

Greg Hagood is a Principal and co-owner of Nephila. Since 1997, Mr. Hagood's primary role is as co-portfolio manager, along with Mr. Majors, of the funds managed by Nephila. He also coordinates all discussions with capital providers, strategic relationships and oversees operations management. Mr. Hagood has over 17 years industry experience. Mr. Hagood received his B.S. in Finance from The University of Tennessee in 1990.

Steve Glassman

Steve Glassman joined Nephila in 2010 as a Managing Principal and Chief Management Officer. He will be involved in all aspects of Nephila's business, with a focus on strategy, structured products and the management of human resources and business processes. Mr. Glassman joined Nephila after spending over 22 years with Merrill Lynch/Bank of America in New York, working in the real estate group, primarily in the commercial real estate space. He was most recently the COO of the Global Real Estate Principal Investments. Mr. Glassman was a co-founder of Bayhead Advisors, LLC, which was formed in 1995 to invest in CBOT PCS Catastrophe Options. Mr. Glassman received his BA in Economics from Vanderbilt University.

Barney Schauble

Barney Schauble is the Manager of Nephila Advisors LLC, an affiliate of the Trading Manager. Mr. Schauble joined the Trading Manager in 2004 and moved to Nephila Advisors LLC in 2010. Mr. Schauble's primary responsibilities at Nephila Advisors LLC include investor relations and other business development projects, as well as investment recommendations to the Trading Advisor in respect of funds and accounts pursuing the Trading Manager's weather strategy (whereby Nephila Advisors LLC will act as the non-discretionary sub-advisor to the Trading Manager in respect of such strategy). Mr. Schauble has over 16 years industry experience. Mr. Schauble attended Harvard College and received his B.A. in Economics in 1994; he wrote his senior thesis to explore the concept of investing in bonds linked to property catastrophe reinsurance risk.

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