

21 February 2008

Alpha Strategic

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (x)	Yield (%)
03/06	0.0	(0.2)	(11.6)	0.0	N/A	N/A
03/07	0.2	(0.1)	(4.4)	0.0	N/A	N/A
03/08e	0.5	0.1	1.5	0.0	68.3	N/A
03/09e	0.7	0.3	6.1	0.0	16.8	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

Investment summary: The future's bright

Alpha Strategic continues to work towards building out a platform to diversify hedge fund returns. H1 08 numbers were encouraging, providing comfort that the group is likely to post a modest profit for the current year. Driving this is tight cost control and strong performance from Winton Alpha, which continues to perform well and grow FUM. Offsetting this are legal fees associated with aborted transactions as the group works towards adding a second fund to its platform.

Winton: Funding running costs, performing well

Our expectation for the Winton Alpha fund is to have AUM of c.\$100m by midyear. This compares to \$46m in December 2007. The fund is likely to benefit from (a) strong performance: the fund posting an 18% return over 2007, and (b) expanding the marketing territories, which now include Germany, Austria and Switzerland (the Swiss regulator has now given approval to market the fund). Horizon 21, which is to market the fund, is restructuring its own operations to target these new markets. Winton's contribution continues to fund Alpha's running costs as it looks to add a second fund.

Continuing to talk to hedge funds, opportunities improving

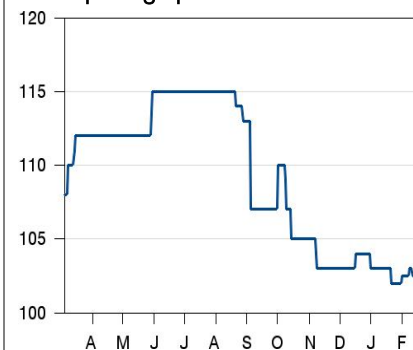
Alpha looks to be on the verge of signing a second fund to its platform based on guidance given regarding H2 08 legal fees associated with a transaction. A combination of difficult markets and the changes to the UK CGT rules is leading to more constructive dialogue with hedge fund owners.

Valuation: Step change in approach expected soon

Our core valuation is DCF based. Assuming Winton reaches its \$100m target, we value Alpha Strategic on this basis at 167p. If Alpha is successful in adding a second fund, we believe that there is likely to be a step change in both the risk profile and the profitability of the company, allowing for a more meaningful comparison to a financial sector P/E.

Price 102.5p
Market Cap £3m

Share price graph



Share details

Code APS
Listing AIM
Sector General Financial
Shares in issue 3.31m

Price

52 week High 115p Low 102p

Balance Sheet as at 30 September 2007

Debt/Equity (%) N/A
NAV per share (p) 83
Net cash (£m) 0.3

Business

APS presents a unique way for investors to gain exposure to a platform for the pooling of hedge funds.

Valuation

	2007	2008e	2009e
P/E relative	N/A	169%	93%
P/CF	N/A	21.0	10.5
EV/Sales	5.4	1.7	1.1
ROE	N/A	1%	3%

Revenues on geography

UK	Europe	US	Other
100%	0%	0%	0%

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Exhibit 1: Financial summary

Year end 31 March	£'000	2006 UK GAAP	2007 IFRS	2008 ^e IFRS	2009 ^e IFRS
PROFIT & LOSS					
Revenue		0	191	503	730
Cost of Sales		(282)	(445)	(488)	(503)
Gross Profit		(282)	(254)	15	227
EBITDA		(282)	(225)	44	256
Operating Profit (before GW and except.)		(282)	(254)	15	227
Intangible Amortisation		0	0	0	0
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		(282)	(254)	15	227
Net Interest		73	110	54	63
Profit Before Tax (norm)		(209)	(144)	69	290
Profit Before Tax (FRS 3)		(209)	(144)	69	290
Tax		0	0	(21)	(87)
Profit After Tax (norm)		(209)	(144)	48	203
Profit After Tax (FRS 3)		(209)	(144)	48	203
Average Number of Shares Outstanding (m)					
		1.8	3.3	3.3	3.3
EPS - normalised (p)		(11.6)	(4.4)	1.5	6.1
EPS - FRS 3 (p)		(11.6)	(4.4)	1.5	6.1
Dividend per share (p)		0.0	0.0	0.0	0.0
Gross Margin (%)					
		n/a	(133.0)	3.0	31.1
EBITDA Margin (%)					
		n/a	(117.8)	8.7	35.1
Operating Margin (before GW and except.) (%)					
		n/a	(133.0)	3.0	31.1
BALANCE SHEET					
Fixed Assets		0	415	417	417
Intangible Assets		0	415	415	415
Tangible Assets		0	0	2	2
Investments		0	0	0	0
Current Assets		2,557	2,340	2,410	2,484
Stocks		0	0	0	0
Debtors		8	39	150	200
Cash		73	167	260	284
Investments		2,476	2,134	2,000	2,000
Current Liabilities		(37)	(53)	(100)	140
Creditors		(37)	(53)	(100)	140
Short term borrowings		0	0	0	0
Long Term Liabilities		0	0	0	0
Long term borrowings		0	0	0	0
Other long term liabilities		0	0	0	0
Net Assets		2,520	2,702	2,727	3,041
CASH FLOW					
Operating Cash Flow		(253)	(269)	(20)	(39)
Net Interest		73	110	113	63
Tax		0	0	0	0
Capex		0	0	0	0
Acquisitions/disposals		(2,476)	253	0	0
Financing		2,729	0	0	0
Dividends		0	0	0	0
Net Cash Flow		73	94	93	24
Opening net debt/(cash)		0	(73)	(167)	(260)
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		(73)	(167)	(260)	(284)

Source: Company accounts, Edison Investment Research

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