

COOL FUTURES FUNDS MANAGEMENT & COOL FUTURES HEDGE FUND

This Update addresses some of the issues raised from feedback from the last Update. Stakeholders will understand that in addressing the nature of our investment strategies we will not reveal more than an outline of the nature and processes of our Alpha¹. We trust this approach will address the issues raised.

“The Cool Futures Hedge Fund, based on empirical evidence and its *Alpha*, will amongst other things, take positions and *hedge these positions* on both climate change and changing climate policy.

Many government agencies, funds, bureaucrats, politicians and media (alarmists) around the world appear to be taking positions based on assumptions of dangerous global warming and of a growing plethora of climate change policies designed to ‘decarbonize’ the global economy. In our opinion they are taking these positions unhedged and unhinged.

No alarmist positions, assumptions or policies are supported by empirical evidence and none have ever been subjected to even basic due diligence processes.

This leaves alarmists vulnerable at the very least, to charges of gross incompetence, especially where no attempt has ever been made or even contemplated in terms of doing any due diligence or even to *hedge their positions taken* on climate change or changing climate policy; and leaves the economies run by alarmists significantly distorted away from market forces, stagnant with debt and concurrently weighed down by ‘green tape’ big bureaucracy.

It is these ‘alarmist generated’ assumptions, positions and policies which have created a vast array of resource misallocation and asset miscalculation now identified by the Cool Futures Hedge Fund as offering a robust and diverse range and series of opportunities as revealed in general, below.^{2”}

Cool Futures Funds Management was established in September 2015 and is the Fund Manager for the Cool Futures Hedge Fund - which was originally incorporated as a small private Cayman Islands based Hedge Fund in November 2015 with four members and seed investment. Cool Futures Funds Management was instrumental in establishing the Cool Futures Hedge Fund LP in large part, to *take and hedge positions* on both climate change and changing climate policy as mentioned above. The aim is to also highlight, and over time potentially exploit, some of the significant and disruptive scientific, economic and financial consequences flowing from the following strategic investment CAGW³ observations, questions and positions:

- Consider the context of the political, economic and financial circumstances currently prevailing in the developed economies of the West⁴. If the evidence strongly suggests the sign, magnitude and timing of the next major climate shift, what positions should one consider taking to optimize one’s returns whilst minimizing risks? Using a *new, low-noise variant on the Fourier transform*⁵, our Director of Science Dr David Evans⁶, found an interesting pattern in the sun. His work strongly suggests that the next

¹ See page four of this Update for the extended description of our Alpha

² Chris Dawson: General statement as Managing Director Cool Futures Funds Management

³ Catastrophic Anthropogenic (man-made) Global Warming or CAGW

⁴Annex II Parties to the UN Framework Convention on Climate Change (Paris Agreement). Annex II Parties consist of the OECD members of Annex I, but not the EIT Parties. They are required to provide financial resources to enable developing countries to undertake emissions reduction activities under the Convention and to help them adapt to adverse effects of climate change. In addition, they have to “take all practicable steps” to promote the development and transfer of environmentally friendly technologies to EIT Parties and developing countries. Funding provided by Annex II Parties is channelled mostly through the Convention’s financial mechanism.

⁵ A method that, like the Fourier transform, estimates the component sinusoids (smooth waves) in a time series. However, it is much more sensitive than the Fourier transform, so that it can find those sinusoids even in the presence of more noise (interference), in time series in which the Fourier transform cannot make a good estimate of the constituent sinusoids. However, it does this at the expense of computing time—it can take hundreds of times longer than the Fourier transform to compute.

⁶ Dr David Evans is an electrical engineer and mathematician, who earned six university degrees in mathematics and electrical engineering over ten years, including a PhD from Stanford University in electrical engineering (digital signal processing): PhD. (E.E.), M.S. (E.E.), M.S. (Stats) from Stanford University, B.E. (Hons, University Medal), M.A. (Applied Math), B.Sc. from the University of Sydney. He is an expert in Fourier analysis and signal processing, and trained with Professor Ronald Bracewell, late of Stanford University. In addition, he

major climate shift is cooling, significant and soon – suggesting the beginning of a sustained and significant cooling around 2017 or shortly thereafter, with the 2020s cooler than the previous three decades⁷. As we approach 2017, with better data and more research we believe we will be better able to further refine the timing and scale of the cooling.

- If your understanding of the science, being in accord with ours, is that:
 - (i) Carbon dioxide plays only a minor role in ‘warming the planet’⁸, and
 - (ii) Carbon dioxide plays a fundamental role in ‘greening the planet’, and
 - (iii) Modern fossil fuel power generation is non-polluting in terms of emissions of carbon dioxide and water vapor⁹; is good for plant life; and in high demand in the developing world¹⁰; what positions should you take, to optimize investment returns whilst minimizing risks? And,
 - (iv) The Divestment Movement’s badgering of large pension and insurance funds to divest themselves of ‘stranded assets’ like fossil fuel related resources and power generation on the basis of the CAGW scare is baseless and unsound. It would not normally survive any proper scientific, economic and financial due diligence. This therefore serves as an example of a baseless distortion of the market; a gross miscalculation of value; and an obvious misallocation of assets by any of the funds who fell for, or will fall for the ‘stranded assets’ routine of the Divestment Movement. Over time, they have suffered or will suffer accordingly¹¹.
- Today’s interest rates are low and unprecedented in human history¹². Central Banks, governments, international banks and agencies are unsustainably tampering with and distorting global markets. *“Interest rates appear to be lower than at any time in the past 5000 years”*¹³. How can savers and investors obtain a positive return in the future and how have and how will the global political, economic and media elite negotiate the moral hazards of spiraling government debt, money printing, bubble growth, low and negative interest rates, and numerous related bureaucratic urges to interfere with and control various markets? How will this elite handle the financial, economic and political backlash to this interference (Think Brexit and other ‘our nation first’ backlashes against distant and unaccountable global elites.) The polls have consistently found that CAGW is at or near the bottom of International and Western voter concerns¹⁴?

was instrumental in building the carbon accounting system Australia uses to estimate carbon changes in its biosphere, for the Australian Greenhouse Office. David’s detailed research findings can be found at www.sciencespeak.com

⁷ Dr David Evans, The Notch-Delay Solar Hypothesis, which is Chapter 19 in *Evidence-Based Climate Science, 2nd Edition: Data Opposing CO2 Emissions as the Primary Source of Global Warming*, compiled by Don Easterbrook, Elsevier Publications 2016.

⁸ Dr David Evans, Correcting Problems with the Conventional Basic Calculation of Climate Sensitivity, which is in Chapter 20 of *Evidence-Based Climate Science, 2nd Edition: Data Opposing CO2 Emissions as the Primary Source of Global Warming*, compiled by Don Easterbrook, Elsevier Publications Oct 2016

⁹ Note: carbon dioxide is not a pollutant or contaminant and nor is it listed as a pollutant on the US EPA List of Hazardous Air Pollutants <https://www.epa.gov/haps/initial-list-hazardous-air-pollutants-modifications>

¹⁰ From the Summary - Climate Action Tracker Update – 1 Dec 2015 - Globally, in total, 2,440 coal fired power plants are currently planned for construction. China for example, is currently building 368 new coal fired power plants with plans for a further 803. http://climateactiontracker.org/assets/publications/briefing_papers/CAT_Coal_Gap_Briefing_COP21.pdf

¹¹ Allianz did a pretty good job, although they didn’t perfectly time their exit for the ‘worst divestment timing award’. Stocks they slated for divestment almost a year ago today (New Hope Corp., Whitehaven Coal and Yancoal) are up 5%, 220% and 260% respectively at the time of writing. NGPF fell for the same “stranded assets” routine and got it horribly wrong too – got out of WHC at around 77c which closed at \$3.17 at the time of writing. Those who bought these ‘stranded assets’ from these divesting funds have by some measures done exceedingly well in a relatively short time timeframe.

¹² Ultra-low rates provide some interesting ways to express views, especially by shorting some bonds very cheaply. But these bonds will still be selected thematically as CAGW-dependent players.

¹³ Bank of England chief economist, Andrew Haldane, Open University Speech page 3 and chart page 19, June 2015 - *“Interest rates appear to be lower than at any time in the past 5000 years (Chart 5)”*

¹⁴ For example – Fox News Poll USA Nov 2015 showed only 3% of registered voters saw Climate Change as the most important issue facing the country – For an international example The United Nations annual poll consistently places ‘Action on climate change’ as the lowest priority see <http://data.myworld2015.org>

- We have concluded that Western governments have unilaterally - through subsidies, taxes, quotas, artificial markets, and the willful and/or negligent perpetration of the CAGW narrative - encouraged inefficient economic activity and the misallocation of vast resources into unproductive activities to 'save the planet from global warming'. In our opinion, this has held back economic growth in the West and actually contributed to deindustrialization. US, European and Australian governments patted themselves on the backs as CO₂-emitting capacity was closed in steel, aluminum and other manufacturing industries – only to be replaced by new capacity in China and India for a net increase in global emissions! The policies of these governments needlessly harm their own constituents, without even achieving abatement¹⁵. Most of these same governments are now also experiencing unsustainable debt and low growth levels. Central banks, fearful of unprecedented deflationary pressures are blindly trusting that repeats of QE¹⁶ inflation stimulus and related currency wars along with ZIRP¹⁷ and NIRP¹⁸ will keep them in the game. Some of these same governments under increasing budgetary pressures have already acted as below, which raises the following questions:
 - a) Why did it take so long for some governments to begin cutting the subsidies, quotas, taxes and artificial markets of the 'save the planet from global warming' movement?
 - b) In what circumstances and when, will the remaining governments cut them?
 - c) In terms of 'saving the planet', how much exactly have these, taxes, quotas and artificial markets impacted on the misallocation of assets and the miscalculation of asset values in each nation? How much can be profitably extracted before they wake up and begin to fix their mess?
 - d) Why is it that no thorough due diligence audit has been undertaken and made public, at any senior level, or at any stage, on any of the science, economics and finance of the now massive US\$1.5 trillion per annum global warming industry¹⁹ ?
 - e) Can the Cool Futures Hedge Fund act as a catalyst and also benefit financially?

Each member of the team at Cool Futures Funds Management has been actively involved in researching answers to these questions and observing the myriad of uncertainties generated by the anti-carbon save the planet movement for more than ten years now.

All our efforts at getting believers to produce a substantive due diligence audit, or pointing to the paucity of evidence in support of the CAGW hypothesis, or to the failure of the global warming industry to achieve reductions in CO₂ emissions or global temperatures, have been actively discouraged and often suppressed²⁰.

¹⁵ Tata Steel to sell off entire British business – claims cheap Chinese imports undercut them | Business | The Guardian 29th Mar 2016 <https://www.theguardian.com/business/2016/mar/29/tata-set-to-announce-sale-of-uk-steel-business-port-talbot> [insert also links to Chinese steel and aluminium capacity contemporaneous with EU closures]

¹⁶ Quantitative Easing (QE) is an unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Investopedia.com

¹⁷ A Zero Interest Rate Policy (ZIRP) is a method of stimulating growth while keeping interest rates close to zero. Under this policy, the governing central bank can no longer reduce interest rates, rendering conventional monetary policy ineffective. As a result, unconventional monetary policy such as quantitative easing is used to increase the monetary base. However, as seen in the Eurozone, over-extending a zero interest rate policy can also result in negative interest rates.

¹⁸ A Negative Interest Rate Policy (NIRP) is an unconventional monetary policy tool whereby nominal target interest rates are set with a negative value, below the theoretical lower bound of zero percent. Investopedia.com

¹⁹ Climate Change Business Journal – 2015 as quoted in the [Washington Times](http://www.washingtontimes.com/news/2015/aug/11/climate-change-industry-now-15-trillion-global-bus/) <http://www.washingtontimes.com/news/2015/aug/11/climate-change-industry-now-15-trillion-global-bus/>

²⁰ For example, in Australia, in terms of a due diligence approach on the economics of sustainable technologies, the Lomborg Copenhagen Consensus Centre was invited to establish a unit through a project to inject \$4 million dollars of Federal Government money into Bjorn Lomborg's sustainable energy economic research centre in Australia; first, in May 2015 at UWA in Perth, Western Australia and later at Flinders University in Adelaide, South Australia. However, following enormous pressure from these Universities' own academics and students to reject the Lomborg Centre, the Turnbull Government eventually withdrew the Abbott Government's \$4 million offer. Lomborg's

Two years ago the team decided that the tools, techniques and *modus operandi* of an appropriately-resourced and professionally run hedge fund²¹ provided a positive vehicle for extracting and harvesting significant value. We have been working on the financial strategies, and researching and refining the new science since then. Three special purpose vehicles in the Cayman Islands were established for the global Cool Futures Hedge Fund.

The Australian-based team consulting to Cool Futures Funds Management, includes some leading mathematicians, scientists, statisticians, engineers, natural resource consultants, modelers, science communicators, company directors and funds advisers.

By applying the scientific method and sound engineering and finance due diligence standards to the above, we have encapsulated this research and strategy into our proposed *Cool Futures science, economics and finance due diligence investment assessment processes* – our **Alpha**.

“Our Alpha is derived from our understanding of the internal logic and processes involving the iterative application of due diligence on the science, economics and finance of global warming...

... also on the timing of the impacts of this due diligence on the global warming public policy grand narrative, as it undergoes the current paradigm shift

... as this paradigm shift cascades unevenly throughout the global economy at firm, industry, regional, national and international levels – particularly in these high debt - zero interest - global elite - central bank run - ‘interesting times’.²²”

How do we translate our Alpha into actionable investment ideas and a process to better manage investment ideas and timing?

Alpha is always about two things –

The **Edge** & the **Odds**; where:

“Edge is private information, an insight into the true nature of reality that other game players don’t have.

Odds are the probabilistic relationship between risk and reward at any given moment in time. If you have either one of these on your side, then you’ll do well in whatever game you’re playing, if you’re dealt enough hands.

If you simultaneously have both on your side²³

In many places in the West, huge economic imbalances and miscalculations of value have been driven by global-warming inspired public policy aimed at reducing carbon dioxide emissions. This has contributed to economic stagnation and massive unsustainable government debt. As a result, debt-funded government subsidies for the global warming industry are quietly beginning to unwind.

Through the work of Dr David Evans and others, the Investment Management Advisory Committee (IMAC) team’s due diligence on the science of global warming has revealed flaws in the architecture of the global

‘sin’ was not that he was anti-UN IPCC, he was not; not that he denied the CAGW ‘scientific consensus’, he did not; his ‘sin’ was that he thought we should measure and make accountable, the effectiveness of helping the poor gain a useful and reliable energy supply; **he wanted to conduct some due diligence**, to analyse whether the CAGW industry money was well spent, to see if it was having any effect on global climate.

²¹ Incorporating an Alternative Investments vehicle, noting the potential to hold private equity, fund of funds and intellectual property positions

²² Chris Dawson, Managing Director Cool Futures Funds Management in a statement made June 2016

²³ Ben Hunt – Epsilon Theory – <http://www.salientpartners.com/epsilon-theory/> The Narrative Machine 2016

warming models. The potency of carbon dioxide was always greatly exaggerated²⁴ — both in the forcing-feedback paradigm that climate scientists use to organize their thoughts about climate change, and the subsequent computer models. So if it was not increasing carbon dioxide that caused most of the global warming of the last few decades, what did cause it? The relationship between the Sun's activity and global warming is tight, but it does not work in the obvious way – the climate scientists are quite correct when they say fluctuations in heat from the Sun are *not* driving our climate. However, the IMAC team have concluded we are soon headed for global cooling predicted by Dr Evans' research and indicated by the quiet Solar Cycle 24 Sun. There will not be any catastrophic global warming due to increasing carbon dioxide²⁵.

Talk about having a massive Alpha based on our 'edge'—nearly all other relevant funds and players appear to assume ever accelerating global warming ***with no hedging of their investment positions.***

As we approach each optimal point for “risk and reward at any given moment in time”, revealed by our due diligence Alpha, we plan to better refine the nature and timing of the impending narrative shift and investment opportunities.

As we observe the global political, economic and media elite with their grand global narrative undergoing a glacial and uneven paradigm shift, we will be working on simultaneously combining the 'edge' and the 'odds' on our side of selected investment positions.

In other words, we overlay the real world [as identified through our due diligence on the science, economics and finance of global warming] with the changing nature, distribution and strength of the grand global narrative, to pinpoint those investment positions currently at the nexus of the physical, political and economic 'reality' as we see it. An example of the above. Suppose there is a European country that has exhausted its treasury on subsidizing wind farms and solar panels, and where a majority of the voting population express skepticism of CAGW and anger over high power prices and power outages, the government will face a political choice. *Cutting government services to build more wind farms, or cutting wind farm and solar panel subsidies to build a more reliable low cost electricity supply?*

Incorporated in this analysis is what has been identified as some of the underlying causes for these miscalculations and distortions. These include hiding past mistakes, manipulating data beyond the bounds of acceptable statistical practice, corruption of some parts of science; and where business, government and climate change public policies seem to encourage fraud. As a result, climate bureaucracy grows with public debt yet scientific debate is stifled, and the economies of the West stagnate²⁶.

Cool Futures Funds Management believes there is a significant appetite for the unique selling proposition of the Cool Futures Hedge Fund. The three following 'event driven' and overlapping 'phases' of investment are time

²⁴ Dr David Evans, The Notch-Delay Solar Hypothesis, which is Chapter 19 of *Evidence-Based Climate Science, 2nd Edition: Data Opposing CO2 Emissions as the Primary Source of Global Warming*, compiled by Don Easterbrook, Elsevier Publications 2016. See also <http://sciencespeak.com/climate.html>

²⁵ Dr David Evans, Correcting Problems with the Conventional Basic Calculation of Climate Sensitivity as found in Chapter 20 - *Evidence-Based Climate Science, 2nd Edition: Data Opposing CO2 Emissions as the Primary Source of Global Warming*, compiled by Don Easterbrook, Elsevier Publications Oct 2016 – and also <http://sciencespeak.com/climate.html>

²⁶ Science manipulation example: US Congress requested a committee of three independent statisticians, headed by eminent statistics professor Edward Wegman, to investigate allegations the core climate science 'club' members tampered with and manipulated the data of the 'hockey stick graph' used as the 'poster boy' graph for the UN IPCC in support of CAGW. From the findings, “In general, we found [Mann's methods] to be somewhat obscure and incomplete [Scientists say “incomplete” as a polite way of saying “rubbish” or something earthier] and the criticisms [by their main critics] to be valid and compelling.... It is important to note the isolation of the paleoclimate community; even though they rely heavily on statistical methods they do not seem to be interacting with the statistical community.... Moreover, the work has been sufficiently politicized that this community can hardly reassess their public positions without losing credibility. Overall, our committee believes that Mann's assessments that the decade of the 1990s was the hottest decade of the millennium and that 1998 was the hottest year of the millennium cannot be supported by his analysis.” Mann's 'hockey stick graph' removed the mediaeval warm period (a period warmer than today); the little ice age and two modern warm periods from history, suggesting a smooth benign global temperature for hundreds and hundreds of years until a sudden warming in the late 20th Century. Public Policies encourage fraud example #1: Big Scam - Carbon Trading scandals which European police agency Europol has estimated cost EU governments more than 5 billion euros in lost revenues. *Reuters World News Wed Jan 13 2016 Britain charged in carbon trading probe in Germany*. Public Policies encourage fraud example #2: Small Scam – “According to government data, between November and January, midwinter, the electrical system received 4,500 megawatt hours produced by solar plants between midnight and seven o'clock, plus another 1,500 between 19.00 and 23.00 hours.” Effectively millions of Euros profit made 'converting' diesel fuel to night-time solar electricity. *El Mundo Economy Wed April 14 2010*.

and information dependent and derived from our Alpha and are seen to present some unique opportunities to take investment positions based on these events, including:

- a) The collapse of the global warming based, subsidy dependent business model. This has already begun. See the optimal ‘shorts’²⁷ as in the example above.
- b) The general acceptance in the scientific literature that carbon dioxide is not the main cause of global warming²⁸. This will over time enable the transition of the ‘global warming paradigm’ into the ‘natural climate change paradigm’ and see the spin-offs resulting from the reallocation of cash and expertise to other areas of science and technology, and away from the global warming science and industry, as significant and profound.
- c) Climate change is natural and cyclic, and we are now heading into a period of ‘global cooling’.

Each aforementioned investment ‘phase’ or ‘event’ offers opportunities for the investors in the Cool Futures Hedge Fund if we are resourced to what our team considers to be best practice levels. This would enable us to attract into our team the very specific additional skills and experience required to succeed.

At this point the Cool Futures Hedge Fund has engaged an Administrator, an Auditor, a Prime Broker, Legal Counsel and, International Tax Advice. We believe our unique proposition and the exciting opportunities will also attract high profile members to join our Investment Manager Advisory Committee along with experienced specialist traders who would be keen to adopt and enhance our *Cool Futures science, economics and finance due diligence investment assessment processes*.

The Fund will enable sophisticated investors in the Cool Futures Hedge Fund from around the globe to understand they are investing in a speculative venture based on a new non-establishment paradigm and will therefore recognize the risks associated with such non-conforming investment strategies.

The Fund will have a high conviction, thematic, event driven, multi-strategy style investment approach. Able to invest or short across, up and down the capital structure including as well, private assets, intellectual property and venture capital, and the Fund will seek Absolute Returns²⁹. The Fund will also allocate capital into a number of promising investment opportunities such as those resulting from what is seen as the current unsustainability of the subsidy dependent business model of the ‘global warming paradigm’. ‘Shorting’ of vulnerable selected subsidy dependent ‘sustainable energy’ ventures, is now current and viable, and but one option³⁰. The coming global cooling involves some long term investments in base-load power generation, in commodities, and in land and water asset revaluation³¹. In any event, and as a possible hedge, many of these ‘cooling’ investment positions, would be viable through developing world demand for reliable base-load power.

²⁷ Shorting opportunities from the recent past most of which were identified from our analysis: Bulgaria, a pacesetter in renewable energy installations, achieving its 2020 16 per cent renewable target by 2013 because the subsidies were so generous forcing electricity prices so high - forcing the government to an election following which they proceeded to announce a price reduction financed by expropriating the (Czech owned) distribution company. Spain, Italy, Czech Republic, Romania and Greece have all also pared their subsidies for wind and solar renewables. Spain started taxing the regulatory-boosted profits of existing suppliers and limiting their operational hours of subsidy; Czech Republic’s measures included the introduction of a retrospective 25 per cent “solar tax”; in 2013, Romania halved its subsidy to existing renewable plant. In their March 2016 Budget, the UK government, rather than cutting subsidies [presumably to avoid perceptions of contractual sovereign risk], added a tax known as the Climate Change Levy to renewable energy companies to the same effect.

²⁸ Following the publication and acceptance of new science findings and papers on this topic such as this one at <http://sciencespeak.com/climate-basic.html>

²⁹ Absolute Return is the return that an asset achieves over a certain period of time. This measure looks at the appreciation *or depreciation*, expressed as a percentage, that an asset, such as a stock or a mutual fund, achieves over a given period of time. Absolute return differs from relative return because it is concerned with the return of a particular asset and does not compare it to any other measure or benchmark. <http://www.investopedia.com/terms/a/absolutereturn.asp#ixzz4OGXWK3Mt>

³⁰ Solyndra, Abengoa and now Sun Edison offer early and spectacular examples of the genus: Subsidy dependent business model collapse: Our considered view derived from our analysis is that without subsidies and without quotas and without other artificial market forms of support, subsidy dependent businesses almost always collapse when government support is removed or amended by the reduction of the artificial market forms of support.

³¹ Some examples: Wheat belts are likely to shrink as poles cool; demand for low cost efficient coal fired power and thermal coal is likely to expand to address the demands of a colder climate; ice breaker manufacture is already a growth industry; land use in places will likely vary and values change; resulting water security and related land value issues can be addressed by promising water treatment technologies.

The Fund will launch with a standard 2% Management Fee, and a Performance Fee of 20% where a high-water mark applies.

The product, from feedback to date, is a unique and attractive selling proposition.

Having defined and designed the product, built the structure and vehicle, and researched the methods and applications, the Fund Manager is now ready to fuel the vehicle with further Seed Investment to complete our preparations for formal launch—Q1 2017—and to secure the first two years of operations where we begin to take positions and earn performance fees.

During this period in the lead up to formal launch Q1 2017 we are providing this Update for the thousands of stakeholders and interested parties who have followed each stage of the development of this concept to the launch of the Cool Futures Hedge Fund LP.

Before our formal launch, this Update marks the commencement of an information (soft launch) period in following up on a lot of prior informal interest as one element of the preparations. For this information period, we plan to use a number of unusual and alternate media to inform the public of the Fund's imminent launch, philosophy, objectives and strategies. In addition, we anticipate that our geopolitical risk—which is significant due to the catalyst and disruptive nature of the Fund including from counterparties—can also be used as a means of generating further public discussion on the Fund's philosophy, objectives and strategies. Presently, we believe that we need only one percent of the global population of high net worth individuals³² to hear about the Cool Futures Hedge Fund LP and for only two percent of those people to positively act upon that information, for the Fund to achieve our initial Assets Under Management (AUM) target.

A managed multi-channel information campaign (including through hedge fund journals and the financial press) coupled with climate skeptic blogs read by scientists and engineers, crowdfunding and other alternate approaches, is envisaged. This approach will enable our unique investment proposition ultimately, to be heard by that one percent of high net worth 'sophisticated investor' individuals or groups that can qualify as sophisticated investors.

In our view, the Fund needs to be able to launch with the above in place and the Fund Manager needs to be able to cover expenses for the first two fully operational years. This therefore means we will very soon be seeking further 'Seed Investment' to fuel the professional launch and first two years of the Cool Futures Hedge Fund LP and the rapid growth anticipated, of Cool Futures Funds Management.

For those interested in the progress of the Fund we plan significant fee discounts to also accrue to:

- Founding Limited Partners and Large Scale Limited Partners in the Cool Futures Hedge Fund LP
- Cool Futures Funds Management Seed Investors' investments in the Cool Futures Hedge Fund LP

Similarly, for those interested in the progress and development of the Fund Manager, if we were to achieve our AUM initial target of US\$600 million by the end of Y5 and if we were to achieve an average 12.5% growth in NAV in each year over the five-year period ending Y5, this would represent an IRR of ~50% for each of the Seed Investors' where they contributed to the total investment of US\$2 million for a 20% share of the Fund Manager.

³² Many surveys suggest more 'sophisticated investor' respondents are 'climate sceptics' and the *CSIRO - Australian attitudes to climate change and adaptation: 2010-2014* indicated the majority do not agree with the UN IPCC's conclusion that humans cause global warming.

Disclaimer

This is not an Information Memorandum or any other form of Offer Document.

This Update is intended solely for the use of the person to whom it has been delivered for the purpose of updating the recipient as to progress in the establishment of the Cool Futures Hedge Fund and of Cool Futures Funds Management.

No representation is made by this Update as to the merits of any investments in the Fund which can only be made pursuant to the issue to the particular recipient of a Private Placement Information Memorandum and the acceptance of such relevant application by the Fund pursuant to the terms and conditions of the offer that might be made in the future.

This Update therefore does not in any way constitute an offer to sell or a solicitation of an offer as this would require regulatory approval.

This document should not be considered as an endorsement of any offer that might subsequently be made pursuant to a Private Placement Information Memorandum nor a recommendation as to the suitability for an investor of any such future offer that might be made.

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