

THE OPTIMA SERIES 3 FUND Plc

Quarterly Report Issue 2. (Figures as at 01.10.2005)



The Optima Series 3 Fund plc

FUND'S MANAGERS REPORTS



Three month review

Over three months, the Fund outperformed its benchmark index but underperformed its sector average. Over one year, the Fund ranks in the second quartile of its peer group.

In the financial sector we invested in Deutsche Bank, Germany's largest bank following good corporate newsflow including reports that the bank plans to open branches in India before the end of the year as it seeks to expand in the country's growing consumer banking market.

Astute investment in Spain's second largest bank, BBVA, led to gains after the company benefited from a property boom in Spain and an increase in lending in Mexico.

Investment in Austrian oil company OMV represented the largest contributor to returns while exposure to DaimlerChrysler weighed on performance.

Outlook

We believe that European equities can continue to strengthen, having shown resilience in the wake of Hurricane Katrina and the deadlocked election in Germany. Low bond yields and further M&A activity, both real and rumoured, are likely to continue to support further opportunities in the European market. As we maintain our disciplined approach to valuations, our focus remains on searching for stock specific opportunities, looking for companies offering attractive properties such as strong earnings growth and generous yields.

We are pleased to be able to include the second quarterly investment reports from the 3 underlying Hedge Fund Managers; Gartmore, Millburn Ridgefield Corporation and ABN AMRO Asset Management.

Objective

The Optima Series 3 Fund plc is an Isle of Man incorporated Open Ended Investment Company designed for experienced investors investing for the medium to long term.

The underlying investments of the Fund are the Notes that each in turn provide exposure to a dynamic portfolio of diversified investment funds and zero coupon bonds that aim to maximise returns while providing support for the capital guarantee.

Key Facts

The Optima Fund plc has two investment options:

- ▶ **Managed Guaranteed Option:** Invests in Notes which on maturity in ten years provide a guaranteed return from Barclays Bank PLC (and no guarantee on the Fund or Note from any other party) equal to the greater of your subscription and 90% of the highest price of the underlying investments in the Notes.
- ▶ **Optima Select Option:** The investment amount will be matched with a 1/1 loan therefore doubling the investment stake in the Notes to offer increased exposure to the underlying investments.



Millburn posted a marginal increase in fund price over the quarter of August, September and October. August was marginally profitable, September showed big profits but these were largely eroded in October.

To be more specific, we can divide by strategies across the quarter:

Stock Index Futures showed a loss in August and October but were up in September. Agricultural Commodities were down in the first two months of the quarter but were up in October. Interest Rate trading showed a profit in August but was down in September and October. Currency trading showed a profit in September and October but a loss in August.

The last two quarters have now shown healthy returns after a poor first 6 months to the year. The Fund is still marginally down on the year to date but the recent trend is upward.



Quarterly Report (cont'd)

FUND'S MANAGERS REPORTS (cont'd)

ABN-AMRO Asset Management

The Fund returned 8.22% in the third quarter, whilst the benchmark (JP Morgan EMBI Global) returned 3.41%. Since inception in May 1998, the Fund has produced an annualised return of 21.40% versus the benchmark of 12.20%. This marks a continued first quartile performance, with a four star S&P and Morningstar ranking. Total net assets in the Fund have now reached USD1.94bn with a NAV per share of USD192.84.

The main contributor to the Fund's performance was, once again, country selection, followed closely by instrument selection. The key countries driving the fund's relative performance were positions held in:

- Argentina, which carried out a successful restructuring of its defaulted debt
- Brazil, where we reduced our position to zero, just before the drop in Brazilian bond prices owing to political scandal
- Venezuela, we reduced to take profits
- Russia, which remains a solid performer and net foreign currency creditor
- The Philippines, which suffered in the previous quarter from political turmoil but which was able to overcome this in the third quarter

The investment team remained positive about the continued good fundamentals in emerging countries in the third quarter. The main strategy was to continue investing in countries where the investment team was positive about the economy, the fiscal dynamics and the attractiveness of the debt prices. This strategy allowed a country mix that produced attractive returns as the market recovered.

Going forward, the investment team still thinks that the best results will be achieved through trading, holding higher-yielding countries and those with high carry, and frequently hedging the duration exposure, when appropriate.

The Scheme is not subject to approval in the Isle of Man and investors are not protected by any statutory compensation arrangements in the event of the Scheme's failure. The Isle of Man Financial Supervision Commission does not vouch for the financial soundness of the Scheme or for the correctness of any statements made or opinions expressed with regard to it. Investors into the Scheme must be an Experienced Investor and, prior to investment, must have signed a statement acknowledging that they are an Experienced Investor and that they have read and understood the Scheme Particulars and accept the risks associated with such an investment. The value of investments can fall as well as rise.

Past performance is not necessarily a guide to future returns.

For Professional Intermediaries and Advisers only.

Performance data Prices as at 01.10.05

STG Select	£1.259
USD Select	\$1.269
EURO Select	€1.167
STG Managed	£1.139
USD Managed	\$1.135
EURO Managed	€1.090

CONTACT INFORMATION

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Up to date share prices and additional information may be obtained by visiting our website - www.optimafund.com