RM ROBUST METHODS

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Returns ***(Net of 2/20 Fees)***

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
[…]	*Data for the period of 2005 till 2011 is excluded from this table*												**[…]**
2012	1.76%	0.98%	-3.45%	1.06%	-1.15%	-2.51%	-1.12%						**-4.47%**

Commentary

Returns for July were -1.12% with year to date results of -4.47%. In absolute terms, our Macro Managed Account program has lagged compared to its earlier years. We see this as a singularity of our own very stringent requirement of managing money without assuming undue systemic risk. We hence remain committed to our robust portfolio management approach that does not embed the tail risk that many hedge funds and some systematic CTA's regularly assume.

Net of a 3.5% to 5% operational annual hurdle rate consisting of management and transaction fees, the bulk of the decline has stemmed primarily from a mix of long-volatility positions as well as failed breakouts in the volatility indexes which remain subdued at unusually low historical levels. We suspect the existence of a very large volatility seller keeping the 'fear index' capped.

While our market assessment and discretionary input is based on historical market relationships that kept pointing to a clear market divergence as an anomaly that should revert itself, it has persisted long enough at this stage to confirm a broad and systemic market manipulation likely to be operated by the likes of the ' Exchange Stabilization Fund' and other shadowy groups. This clandestine activity now appears much wider and deeper than originally suspected or officially declared, and has frustrated and injured many portfolios and fund managers.

We echo the recent opinion of Dr. Paul Craigs Robert, former assistant U.S. Treasury Secretary and Chairman of The Institute for Political Economy, that "all investment avenues are rigged". This helps explain the fact that many conservative funds with a capital preservation objective are down around 10% year to date.

The resignations of senior banking officials highlighted in our February letter as the canaries in the mine that precede a major scandal turned out to be prescient in ushering the now official Liborgate. The admission to mega money-laundering schemes by at least one major global bank is a classical cartoon of the fox guarding the hen house.

On the same theme, the market has been waiting for 4 years for the regulators to report their findings on the allegations of price manipulation in the silver market - a contract which cost us heavily and repeatedly in the recent years. The FT just reported that the CFTC could now be dropping this investigation. The natural inference to such statements would be that the allegations are in fact true, and this would deal another blow to the markets integrity.

The recent announcement by JP Morgan of 'hedging losses' has dumbfounded the market. The fact that the bank had already been granted a hushed-up legal exemption from usual accounting and securities-disclosures obligations, and still went ahead to publicly admit an undetermined loss, makes the situation very suspicious. Some incisive market analysts see a loss of control in the bank's trillion dollars swaps book being used to create an artificial demand for the bond market. Is the establishment's bank contemplating its own demise?

A mounting no-confidence vote from the American public and global citizens against the Fed has forced this private corporation to go to great and unprecedented lengths to reassert its control. Managing the public's perceptions and reinforcing a false confidence in the system under its regime remains its main objective.

By constantly assuring and reassuring borrowers of a zero interest rate policy for years to come - needing a desperate bid on the treasury bonds - Bernanke is extending an open invitation and buying a punch-bowl for banks and hedge funds to go out and put on leveraged trades on these otherwise worthless bonds. The Fed's Chairman has hence taken a lead dancer position in what we see as a *danse macabre* and a replay of the tape that preceded the crunch of 2008.

Sincerely,
Karim Taleb