

September 30, 2008

Description

The trading program covers the liquid global markets using a quantitative and systematic approach. Emphasizing research and statistical decision making, the methodology is rigorous and complete. Transactions are made on currencies, interest rates, equities, energies, precious metals, and commodities with the goal of capturing developing trends. Positions are taken with the premise that price movement often leads fundamentals.

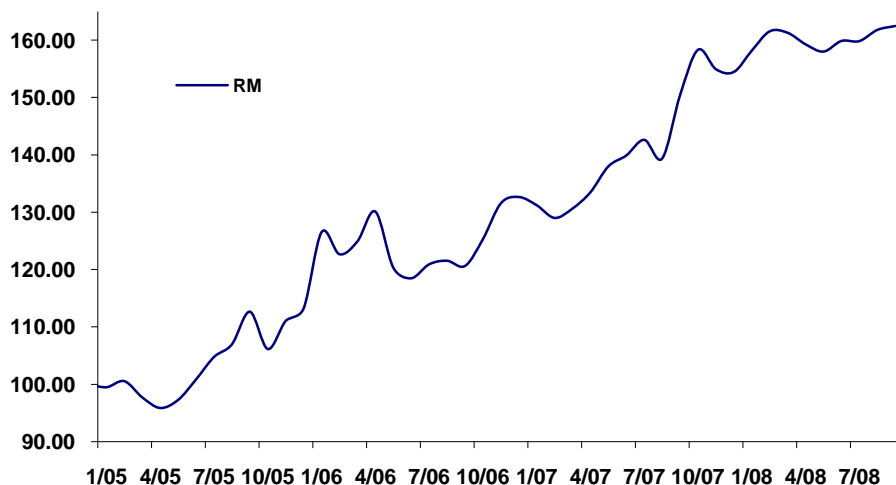
Risk Management

Risk is managed using a strict and disciplined approach across asset classes and geographic blocs.

Returns (Net of Fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2005	-0.53%	1.06%	-2.82%	-1.88%	1.47%	3.68%	3.88%	2.10%	5.32%	-5.78%	4.63%	1.95%	13.21%
2006	11.76%	-3.04%	1.83%	4.16%	-7.52%	-1.54%	2.06%	0.52%	-0.74%	3.87%	4.98%	0.85%	17.18%
2007	-1.09%	-1.69%	1.27%	2.18%	3.38%	1.38%	1.95%	-2.28%	7.94%	5.25%	-2.15%	-0.31%	16.44%
2008	2.41%	2.12%	-0.16%	-1.25%	-0.79%	1.17%	-0.02%	1.22%	0.42%				5.19%

Cumulative Returns (VAMI)



Statistics

Annualized Return	13.8%
Volatility	11.6%
Downside Vol.	6.9%
Sharpe Ratio (0%)	1.2
Sortino Ratio (0%)	2.0
Maximum Runup	19.2%
Maximum Drawdown	9.1%
Months to Recovery	5

Terms

Management Fee	2%
Incentive Fee	20%
High Watermark	Yes
Liquidity	Monthly
Lock-up	No

Commentary

In our August update, we commented on the lower volatility of the monthly returns year-to-date compared to each of 2005, 2006, and 2007. This decrease was due to both a lowering of risk at the portfolio level as well as the independent reduction inherent to the volatility-adaptive model.

The current market regime and extreme swings that persisted throughout September weakened the risk-reward characteristics of most markets, as the risk component disproportionately outweighed the expected reward.

As a result, our strict operating constraints kept the portfolio mostly on the sidelines during the entire month.