

15 April 2010

Key Information at a Glance

| | |
|-------------------|---|
| L/S Equity | ↗ |
| Macro - CTA | → |
| Arbitrage | ↗ |
| Credit | → |
| Event Driven | → |
| Nat. Res., Commo. | → |

6-month forecasts

Index Performance (HFRI FoF)

| | MTD | QTD | YTD |
|--|-------|--------|--------|
| <i>Composite</i> Multi Strategy | 1.69% | 1.45% | 1.45% |
| <i>Conservative</i> Low Volatility | 1.24% | 1.24% | 1.88% |
| <i>Diversified</i> Multi Strategy | 1.59% | 1.61% | 1.61% |
| <i>Market Defensive</i> Short | 0.44% | -1.38% | -1.38% |
| <i>Strategic</i> Long Short | 2.09% | 1.24% | 1.24% |

Estimated figures as at 31 March 2010

Whilst the economic recovery seems to be gaining strength and starting to extend to the global economy as a whole (latest indicators from the main European economies suggest that the economic improvement is not confined to the United States and emerging countries), domestic demand growth is continuing on a relatively muted path. The main difference comes from the inflationary pressures which are becoming more important in several emerging countries while core inflation has been going down in the G8 countries. For this reason some managers still believe in a steepened yield curve in the US and Europe as it is unlikely that target policy rates will rise in the near-term.

We remain concerned with the Sovereign debt problems prevailing globally with the exception of some emerging countries. After the bailout of Greece in Europe, the question remains open regarding the mechanism to enforce fiscal discipline. If some highly indebted countries do not take the appropriate measures to reduce deficits many fear that Europe could be following in Japan's footsteps.

Our portfolio positioning remains the same as it clearly has proved to be adapted to current market volatility. During this first quarter of the year, our portfolios have proved to be resilient to a significant market correction whilst still having the ability to catch part of the rally equity markets have experienced in recent weeks.

Outlook by Strategy

| | |
|--|----------|
| Long/Short Equity | 2 |
| Behold the realm of stock prices driven by fundamentals, it has returned | |
| Event Driven | 2 |
| Increased activity on the horizon | |
| Credit | 2 |
| Good Fundamentals vs. Macro Risks | |
| Arbitrage Strategies | 3 |
| Arbitrage is not dead | |
| Macro & CTA | 3 |
| Consistent trends have proved extremely profitable | |
| Natural Resources, Commodities | 3 |
| A range-trading overall commodity complex | |

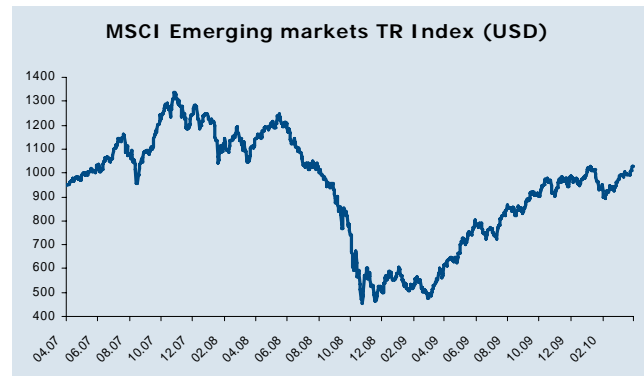
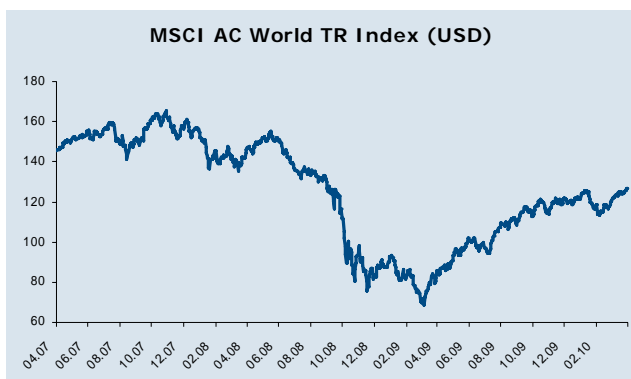
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Outlook by Strategy

Long/Short Equity

Equity markets during the month of March posted strong gains with steady growth over the period. The MSCI World Index posted a gain of +6.43% with underlying global sectors all positive. The defensive sectors were the only laggards, but still returned +1.81% for healthcare and +2.39% for utilities. Geographically as well, all the major single equity markets were positive with strong gains on the emerging markets side. To summarise, an excellent month for stocks supported by encouraging signs on the unemployment side and the absence of worrying figures on inflation from the US, which has also helped evaporate the fears about sovereign debt from investors' minds.

Equity Long/Short managers performed well in the month. Trading biased managers had more difficulties in performing as the market trend we see has evolved with low volatility, which doesn't offer many opportunities to their investment style along with strong macro overlay managers who were still positioned quite defensively on average. Among fundamental stock-picking oriented managers all was rosier as their difficulties in finding short positions since the beginning of the year has led to a fairly profitable positioning for the period. We continue to believe that this investment style should continue to benefit from the important dislocation created in the last two years and should be blended with the trading-oriented, all weather fund managers since lower volatility regimes may not last. We think the macro overlay driven managers should be reduced and only the best kept for diversification as the environment may be quite unfavourable in the mid-term.



Event Driven

Gains from our allocation to Event Driven managers came from directional bets on European firms in the auto, service, consumer and insurance space, which may have been helped by buoyant markets. In the Event Driven sector as a whole we expect activity to pick up, albeit maybe not over the next couple of months. There will always be rumoured and finalised deals all witnessed by UK, the rest of Europe and the US. However the opportunity set in both Asia and the aforementioned economies is extensive, even though corporate activity may take a while to get into full swing, as corporations remain cautious.

Spreads have narrowed significantly in the US and Europe. As a result we are seeing and expect to see an increasing number of players and capital deployed in Asia over the next year or so to benefit from the more advantageous spreads and the increased activity.

Credit

Credit managers did well in March as investors sought yield and the global economic outlook continued to improve. The short-term resolution of the Greece situation also provided a welcome boost to the markets. Given the low interest rate environment and access to credit, companies are more easily able to roll over their debt, which inherently strengthens their credit worthiness. Also, from a technical point of view, investment grade and high yield bond funds (in the US and Asia) are seeing significant inflows, which is also helping to tighten spreads. In the short-term, this creates a good environment for credit managers to post positive returns, but given that spreads are nearing their pre-crisis levels, the upside will not be as high as in the beginning of 2009. Although the fundamental outlook appears sound, macro threats do remain.

Greece was able to resolve its funding problem, although a future default is not out of the question. In addition to sovereign troubles, government regulatory changes are also serious risks that are difficult to predict. Furthermore, some credit funds have voiced concerns stemming from leveraged buyouts, which can have a sharp impact on a company's credit quality. In Asia, concerns about inflation led to India and Malaysia hiking rates during the month. Potential inflation coupled with strong growth in the region should see more rate hikes in Asia. Credit markets in March seemed to ignore the macro risks, which helped purely long credit managers to perform well; however, a more balanced and trading-oriented approach will likely outperform long-only credit funds this year.

Arbitrage Strategies

Relative Value strategies generally performed well in March, with Convertible Bond Arbitrage generating healthy returns driven by a combination of fundamental value appreciation, stable economic conditions and strong fund flows. The number of event-driven situations, including exchange offers, was also a good source of returns for CB Arbitrage, together with a nice pace of new issues. Credit markets also rallied as balance sheets improved. On the negative side, portfolio hedges and a drop in volatility penalised in-the-money convertibles. We maintain our positive view on this strategy with a focus on more nimble managers active in special situations. A better funding environment and strong primary market should also help alpha generation going forward.

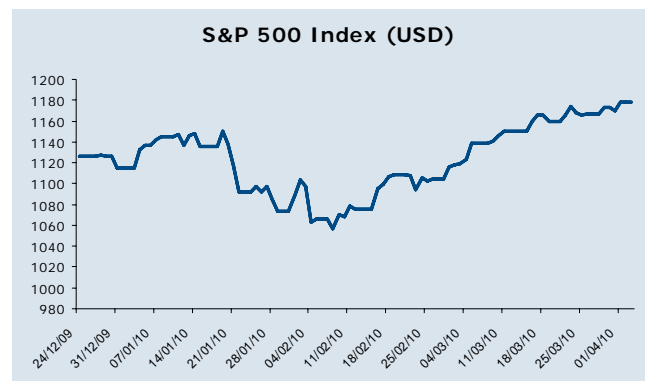
Equity market neutral and statistical arbitrage performed decently over the reporting period, albeit the market environment was not perfect for such a strategy; current spreads in company valuations are still trading at historical high levels, which represent an important source of potential returns going forward. Fixed Income arbitrageurs had a positive month in March and the strategy has interesting future potential, as competition remains weak. Volatility Arbitrage had a strong month in March despite equity volatility reaching historically low levels. We continue to favour managers maintaining a multi-asset class approach (including fixed income, forex and commodity volatility) as well as managers running relative value trades rather than directional bets. Overall, arbitrage strategies continue to offer good perspectives in a market environment full of uncertainties.

Macro & CTA

Continued concerns over the economic situation in Greece with the risk of a similar story playing out in other European countries. The Euro rallied for the

first fortnight of March, before reversing to fall back below USD 1.35 to make new lows for the year. Stock markets strongly performed with the Dow up +5% for the month, reaching a level not computed since September 2008. The lack of clear direction in bond markets continued. The scenario was very profitable for medium-term CTAs that produced very good returns from their long equity positions, their short Euro and Sterling positions against the Dollar and finally the overall long commodity positions provided the rest of the positive performance. Because of the volatility in the bond market, it has been a detractor to the performance. Macro systematic funds for the most went through March with the same positioning as medium-term CTAs and saw similar good performance from equities, currencies and commodities. Short-term CTAs continued to be extremely challenged in that environment where frequent reversals and no follow-through short-term trends generated false signals, resulting in small continuous losses.

Although the correlation between asset classes has started to decrease from the peaks of the credit crisis that started in 2008, it remains above any point in the last 35 years. Timing CTA/Macro systematic returns has been the holy grail of researchers in that industry so if our philosophy with CTA/Macro Systematic has been to diversify across styles and strategies we recommend more than ever to apply this diversification in order to cope best with the current high correlation level amongst asset classes.



Natural Resources, Commodities

March proved to be a lacklustre month for a variety of Macro commodity managers, with the exception of managers with a focus on specific commodities. The commodity complex, as represented by the S&P GS Commodity Total Return Index, was up +1.93%. Strong returns were in the base metals (nickel +18.3%, aluminum +9.1%, copper +8.3%, zinc +8.2%), while natural gas was down -19.6% and sugar was down -25.2%.

Finally, WTI crude oil was up +4.7% and gold was down -0.5%. On the equity side, the HSBC Mining Index was up +9.9% and the NYSE Energy Index was up +4.1%. The primary support to the crude price was the improving global economy, which also caused the crude curve to flatten. Some managers are of the opinion that the curve could go into backwardation, but not to a large extent, and not over too long a period either. As it happens, volatility in the crude complex has been relatively low recently, reducing trading opportunities for a few managers. It should be noted that crude prices were also supported by positive speculative flows in March and managers with a long exposure to crude had a good month.

In very basic terms the outlook for crude oil depends on whether the global economy will continue to improve and China still remains a key variable on the demand side. Weather proved again to be a key variable in commodity trading, as warmer-than-expected weather in the US caused lower natural gas storage withdrawals, pushing natural gas prices further down. Several natural gas traders were down. Sugar was down -25.2% for raw sugar, on assumptions that the deficit in sugar had been overestimated and on long positions being liquidated. Managers with an outright long exposure to sugar had a difficult month. Demand remains strong in base metals, which was also confirmed by shortages in the scrap market, while in precious metals the PGM continues to be supported by the car industry. Overall, commodity prices have traded in a range over recent months, contained between commodity fundamentals and economic influences. A breakout from this range could create additional opportunities for a number of commodity managers.

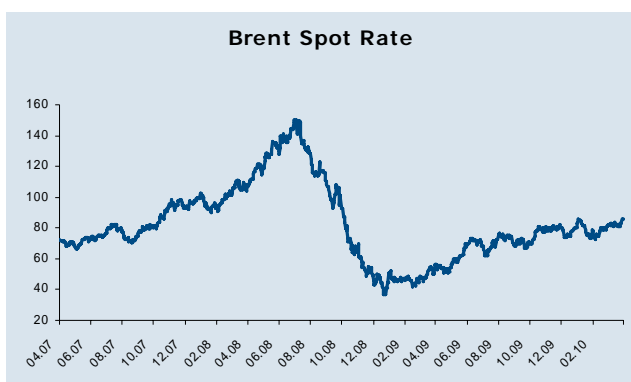


Chart sources: Bloomberg