



Fund Objective

The objective of the Fund is to invest predominantly in global real estate securities using a proprietary *quad unity theory*. The Fund targets annual dollar returns in excess of 30% with a Sharpe ratio above 1, and understands that achieving its return objective will likely provide profits in an asymmetrical distribution pattern over time.

Why Choose This Fund?

The Fund invests in global real estate securities and provides an investor who is looking for an absolute return investment the opportunity to diversify into another asset class.

Further, the Fund offers the following unique benefits:

- The Fund is managed using *quad unity theory*: fundamental, technical, quantitative and sentiment valuation techniques.
- Unique "top-down" approach.
- The Fund allows for both Long and Short Investing.
- Underlying investment in international real estate, with diversified geographical and currency exposure.
- The Fund manager enjoys a highly successful track-record managing real estate hedge funds for more than 5 years.

About The Fund

Classification	Global Long Short – REIT
Risk rating	Relatively Aggressive

Fund Overview

I ended last months October overview with, *"My view is that the markets are extremely oversold in the short term, and that we are starting to see some good risk reward opportunities to buy the market. It is important to recognize that although I maintain we are in a major bear cycle, there will be times where the fund is not long, so do not regard this as a bear fund but one that trades at sentiment extremes along different time frames"*.

In the last 10 days of November I finally took the fund to a tiny net long position, after years of being net short or market neutral. I sensed at that point that the selloff had created a very oversold market and I wanted to close our short positions and start getting long the market, we achieved this but unfortunately our long positions in the US were very small given the volatility and the fact that the market just moved too quickly for us to acquire prudently. In less than 3 weeks the US market had rallied almost 40% off its November lows. While satisfying that we were no longer short the US market and were in fact long our largest long positions were in the Australian market and they failed to respond to the US stimulus induced bounce and gave cause for little cheer as they fell further and continue to do so in December. A further source of frustration for us was the fact that our largest shorts in South Africa not only didn't selloff in November like the rest of world markets but surprisingly rallied some 20%.

We are long term value players so although it would have been nice for some of our themes to prove profitable in November our money management process at least provided the fund with capital protection and an opportunity to build larger positions at better entry points another time.

We at Velocity believe that the eventual outcome of this financial drama will be a depression probably worse than the "Great Depression", there is however a long way to go and we are being careful not to get ahead of ourselves – this is just the beginning of a story that will last for many years, and will include chapters that not even the great JK Rowling could have thought up. We will remain observant and consider any new evidence to our current forecasts.

Our Elliott Wave patterns point strongly towards a further selloff in the short term, and we view this as an opportunity to accumulate long positions. Given how far the market has fallen and in such a quick time we are just not comfortable trying to short this anticipated selloff, should the market continue to climb in a pattern that we view as sustainable we will look to enter the market at suitable retracement points. As contrarian value traders we will only build a sizeable position if we observe the correct degree of value and that will be with a further selloff.

Key Statistics *

Annualised Return	87.71 %
Year-to-Date Return 2008	43.85 %
Average Monthly Return	6.58 %
Standard Deviation of Returns Annualised	32.59 %
Sharpe Ratio (RFR 2.00%)	2.36
Sortino Ratio (RFR 2.00%)	22
Best Month	23.51 %
Worst Month	-2.52 %
% Winning Months	66.67 %
% Losing Months	33.33 %
No of Months	6

Fund Overview - Continued

Towards the end of November we placed a tiny yield spread convergence trade on in the US which is 700bps above its historic mean of 91bps. Here we are short 10yr treasuries and long US REITs, this trade has a high probability of success over a longer time frame, and we hope to pursue it actively over the next few years.

Implied volatility is also trading at all time highs and the fund intends to continue to write a small number of option positions to benefit from these high volatilities, expressing little market direction in our option portfolio construction.

Michael Berman
Fund Manager & CEO

About the Asset Manager

VT International trading as "Velocity Trading" is a boutique real estate securities asset manager, with a focus on alternative investments. The company is an authorised representative of Surety Asset Management (AFS: 322081) an ASIC registered MDA/CTA. VT International is Australian domiciled with partners based in South Africa and the USA.

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Historic Monthly Returns *

	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	43.85%						23.51%	2.73%	-2.52%	7.59%	8.81%	-0.65%	

Past Performance is no indication of future performance.

* All Calculations after Fees. Management Fee 2%p.a. and Performance Fee 20%p.a.