



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.

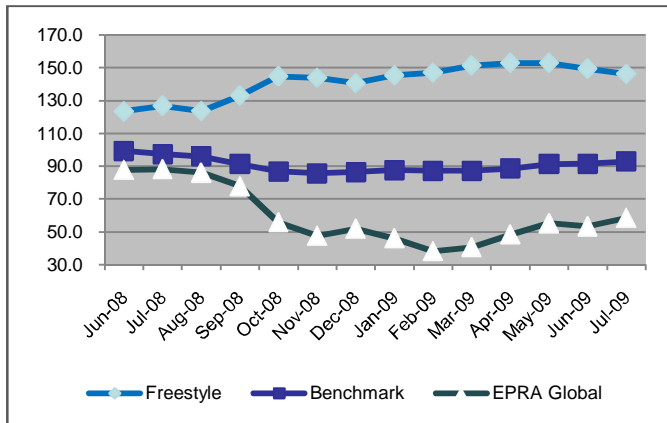
Further, the Fund offers the following unique benefits:

- 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 exposure.
- The Fund manager enjoys a highly successful track-record managing real estate hedge funds for more than 7 years.

About The Fund

Classification	Global Long Short – REIT
Risk rating	Relatively Aggressive

Comparative Charts



Beta & Alpha Adjusted (vs EPRA) & Attribution Analysis

Longs	0%	Shorts	100%
Net Exposure	-58%	Leverage	0.58
Correlation (monthly)	- 43.27%		
Beta of Fund (monthly)	- 0.22	Alpha (monthly)	2.3%

Key Statistics *

Return Since Inception (June 08)	46.16 %
Annual Return	39.57 %
Return YTD – through July 09	3.94 %
Average Monthly Return	2.95 %
Volatility (Standard Deviation Annualized)	23.85 %
Sharpe Ratio (RFR 2.00%)	1.40
Sortino Ratio (RFR 2.00%)	6.60
Best Month	23.11 %
Worst Month	-2.52 %
% Winning Months	64 %
% Losing Months	36 %
No of Months	14

Fund Relative Performance *

Freestyle Fund – Current Month – July 2009	-2.17 %
Freestyle Fund – Year-to-Date – 2009	3.94 %
Freestyle Fund – From Inception – July 2008	46.16 %
Benchmark ^ – Current Month – July 2009	1.59 %
Benchmark – Year-to-Date – 2009	7.51 %
Benchmark – From Inception – July 2008	-7.10 %
EPRA Global ^^ – Current Month – July 2009	9.76 %
EPRA Global – Year-to-Date – 2009	12.97 %
EPRA Global – From Inception – June 2008	-41.50 %

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 authorized 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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Disclaimer

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Historic Monthly Returns *

	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	40.62%						23.51%	2.73%	-2.52%	7.59%	8.81%	-0.65%	-2.25%
2009	3.94%	3.34%	1.14%	2.57%	1.37%	0.01%	-2.24%	-2.17%					

Past Performance is no indication of future performance.

* All Calculations after Fees. Management Fee 2%p.a. and Performance Fee 20%
^ Benchmark is the daily quoted HFRX index
^^ EPRA Global Index is the most comprehensive index of the Global REIT market

Fund Commentary

Summary of Performance and Strategy

Going into the weekend on the 10th of July I believed our views expressed in last months newsletter *we believe the next few weeks are likely to be down, potentially hard down; to be followed by another attempt at a recovery high towards the end of the 3rd quarter* were being acted straight from the script. The selloff proved to be very short and sharp, with the short covering rally that followed relentlessly driving the markets higher. The Nasdaq climbed 15 out of 16 days with Asian markets climbing for a record 11 consecutive days. The market with most of our positions (all short) was the US REIT market. This market enjoyed a 20% rally from Monday 13 July until month end (see chart below). So we went from making 2.5% by the 10th of the month to end losing -2.17%. Our losses were partly offset by a European stock we were holding on our books at zero value, now showing value following corporate and legal action.

The Elliott Wave patterns are probably our most important criteria in determining our direction calls and the chart below is reflecting the way we currently label the respective waves. We have never been shy to stick our necks out; the way we are reading the waves and the formation of the wave 2 bounce from March 09 leads us to believe we are now completing this wave a little earlier than the end of the 3rd quarter as forecast in our June 09 letter. Should our wave count prove to be correct we can then expect a serious assault on the March 09 lows. With (trade-futures.com) Daily Sentiment Index registering 88% bulls, surpassing the bullishness of the 2007 Dow highs, the bear camp is clearly in the minority. Whilst trading major turns is an uncomfortable vocation, we like the fact that there are so few on the bearish side, which strengthens our case which should result in a very severe selloff, when it arrives.

Ticker: IYR representing the US Index



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Fund Commentary

Expectancy Theory

For many months in these letters you have heard me criticize the models conventional finance and economics use to forecast the performance of financial markets. Most if not all miss the point that the actors on the economic/finance stage do not always follow rational thought processes the central thesis of these models. The behaviour of economic actors in reality is uncertain and therefore the way we model expected behaviour should incorporate this reality. I for one believe there is value in the models developed to date, it is just that there is too much expectation from these elegantly designed algebraic formulae and not enough realism. In future letters I will explain how I believe there are ways to forecast market behaviour with greater than random accuracy.

As a diligent student of market behaviour and history I have read many books on trading/investing, there is however one book I regard as the "holy grail", *Trade your Way to Financial Freedom* by Dr Van Tharp. In this book Dr Tharp initiates the reader to the most understudied and most important subject in the field of trading/investing, namely - money management. It doesn't surprise me that a psychologist with an interest in trading has become the leader in the study of this field providing far greater reality than the bulk of the quantitative finance community.

In this letter I will briefly introduce you to the Expectancy Theory Equation Dr Tharp uses and then I will walk you through a real expectancy study of the VT International Freestyle fund. To keep it brief I will not include a theoretical description of the equation save to say that one can operate a fund with a very low win / loss ratio provided ones system is able to keep losses small and winners larger (it sounds obvious but a natural bias is that we assume a system that losses more than 50% of the time is a poor system).

$$\text{Expectancy} = \{[(\text{Avg Profit}) \times (\text{Probability of Winning})] - [(\text{Avg Loss}) \times (\text{Probability of Losing})]\} \div \text{Avg Risk Amount}$$

Press F9 to recalculate	Monte Carlo Iterations Drawdown defining "ruin"		2000	This sequence:		
			30%	wins	losses	
MONTE CARLO RESULTS FOR 2000 ITERATIONS				average *	\$0.0081	(\$0.0092)
Sizing model: risk % of equity				count *	72	54
				percent *	57.1%	42.9%
				max consecutive	6	7
	Return	Maxdraw down *	NetProfit in \$ units	MaxDD in \$ units	return	max DD
Minimum	-14%	7.7%			currency units \$	8.773420425
-2 StDevs	-3%	9.5%	97	8	percent equity	8.8%
Mean	9%	17.9%	109	18	return / drawdown	0.8(%)
+2 StDevs	22%	33.4%	121	42		0.7(\$)
Maximum	34%	54.1%			expectancy per \$1 risked	\$0.08
Median	9%	17.7%	%ruined*	5.8%		
1stStDev	6%	8.6%	mxCrsWin	8.5		
			mxCrsLos	9.0		

In this sample I have taken 150 daily P&L observations from the worst performing period of the funds existence. I would have done it for the entire period but I am unable to as the reporting system I was using prior to the current system is unable to generate historic mark-to-market daily P&L for our derivative positions. The Freestyle Fund over the sample period has a win / loss ratio of 57% / 43%, the average win is slightly less than the average loss which is not representative of typical Freestyle performance, the total return for this period is 8.8% with a maxDrawDown of 10.7%. The important finding in this analysis is that the system over this period has a positive expectancy; meaning that for every dollar risked we can expect to make 8 cents, therefore the more days we trade our system the more profitable in dollars we are likely to be.

Another important study we do with this information is apply a monte carlo simulator to understand the risks of our system. In the attached study we ran 2000 iterations, meaning that the sequence of the 150 daily P&L returns are scrambled randomly into 2000 different sequences to see what the likelihood of financial ruin is. We define financial ruin as a drawdown of 30% of capital. According to the findings only 5.8% of the 2000 sequences achieved a drawdown of more than 30%. The very worst scenario was a 54% drawdown ending with a profit of 34%.

It is my intention to build our database of daily m-t-m P&L and continue to exhibit our findings in an effort to display the full transparency of the funds risk / return attributes.

MICHAEL BERMAN