



### 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.

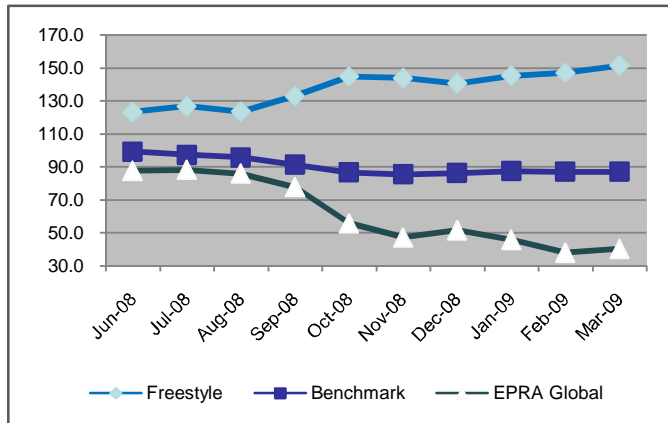
Further, the Fund offers the following unique benefits:

- 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



### Risk adjusted Beta (vs EPRA) & Attribution Analysis

Longs	62%	Shorts	28%
P&L (longs)	- 100%	P&L (shorts)	200%
Net Exposure	24%	Leverage	0.31
Correlation	- 38.47%		
Beta of Fund (monthly)	- 0.25	Alpha (monthly)	1.88%

### Key Statistics \*

Annualized Return	60.90 %
Return Since Inception (June 08)	50.74 %
Return YTD – through March 09	7.20 %
Average Monthly Return	4.43 %
Volatility (Standard Deviation Annualized)	26.59 %
Sharpe Ratio (RFR 2.00%)	1.92
Sortino Ratio (RFR 2.00%)	13.09
Best Month	23.11 %
Worst Month	-2.54 %
% Winning Months	70 %
% Losing Months	30 %
No of Months	10

### Fund Relative Performance \*

Freestyle Fund – Current Month – March 2009	2.57 %
Freestyle Fund – Year-to-Date – 2009	7.20 %
Freestyle Fund – From Inception – June 2008	50.74 %
Benchmark ^ – Current Month – March 2009	-0.03 %
Benchmark – Year-to-Date – 2009	0.93 %
Benchmark – From Inception – June 2008	-12.78 %
EPRA Global ^^ – Current Month – March 2009	6.31 %
EPRA Global – Year-to-Date – 2009	- 21.38 %
EPRA Global – From Inception – June 2008	- 59.29 %

### 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.

### Manager Information

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### Historic Monthly Returns \*

	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>2008</b>	<b>40.62%</b>						23.51%	2.73%	-2.52%	7.59%	8.81%	-0.65%	-2.25%
<b>2009</b>	<b>7.20%</b>	3.34%	1.14%	2.57%									

Past Performance is no indication of future performance.

\* All Calculations after Fees. Management Fee 2%p.a. and Performance Fee 20%  
^ Benchmark a combination of Eureka and HFRX see explanation note on pg 3.  
^^ EPRA Global Index is the most comprehensive index of the Global REIT market

**Fund Commentary**

Summary of Performance and Strategy

We are pleased with our March performance given the difficult emotional struggle we had changing course; this is what we said last month, "it is time to turn this ship around and either take a more market neutral approach or simply get long the market". It seems that a short to medium term bottom may be in place as evidenced by the largest 10 day rally in Dow history. Our work is probability based with our position sizing algorithms adjusting in line with expected outcomes. I stress we have no crystal ball and our directional market calls are based on well researched sentiment and mean reverting studies which allow us to make high probability calls. In the event of our forecasts producing low probability calls due to mixed signals we scale back our position sizing accordingly. On a personal note, I was not able to fully commit to taking the fund more long in the face of the torrent of negative sentiment, even though our research recommended it. In the end I chose a more conservative route, opting to wait for more evidence before committing the fund to more exposure on the long side. For most of the month we were market neutral on a beta adjusted basis (see comments below). A small 7% of the funds capital is unhedged and exposed to broad market (EPRA Global) movement. As discussed in last months letter, the market needs to work off the extremes in sentiment that have dominated over the last year and a half, we therefore look to position the fund on the long side to profit from this bear market rally. Over the next couple of weeks we cannot dismiss the probability of a retest of the lows, but this is a low probability. Our medium term forecast anticipates a rally with sentiment moving to a bullish extreme, probably just shy of the all time high's as investors start to believe we are on the road to recovery, and start panicking that they haven't invested enough and the bears are squeezed to cover.

Comments on Funds Exposure

In past letters we have been expressing our long / short exposure in nominal terms, which we believe isn't accurate. One of the assets we possess in having managed a global long / short strategy for many years is the understanding of how differently markets behave on a daily basis. Remember real estate is a local asset; however, in recent years real estate equities have become far more correlated with broader global equity market indices, and we are now seeing many changes to price behavior during the current global financial crisis (GFC). We believe the correct way to look at our funds exposure is on a beta adjusted basis. The formula for beta is

$$\beta_a = \frac{\text{Cov}(r_a, r_p)}{\text{Var}(r_p)}$$

where  $r_a$  measures the [rate of return](#) of the asset,  $r_p$  measures the rate of return of the EPRA Global index, and  $\text{Cov}(r_a, r_p)$  is the [covariance](#) between the rates of return. This may look simple but let me explain where a strong blend of art over science comes into the equation. Choosing the correct period to analyze the data, and the degree to which the returns need to be smoothed are subjective inputs that require "feel" for the underlying markets, textbooks don't help here. The days of pumping models with decades of data are over, or at least they should be!!!



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**Historic Monthly Returns \***

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**Fund Commentary**

Comments on Macro Issues

I have on many previous occasions expressed my opinion that government should step away and allow the free market to solve the current financial crisis. It wasn't my beloved free market that caused these problems through lack of regulation as a swathe of market commentators would now like us to believe, I am sure as a justification for a new period of over-regulation which we are inevitably heading towards.

One of my favourite market commentators, Dr John Hussman, a former academic but more to the point a brilliant fund manager [www.hussmanfunds.com](http://www.hussmanfunds.com) (see article 30 March) makes the following observation as part of a detailed critique of the US Treasuries latest attempt to solve the financial crisis:

*"The Treasury's proposal to address insolvency is to finance the purchase of impaired assets from the banks, primarily using taxpayer funds. But note that if the questionable assets are taken off of the bank's books at their actual value, there is absolutely no change on the liability side of the balance sheet. The bank's capital position does not improve. The "toxic asset sale" simply replaces the bad assets with cash. While this might improve the "quality" of the bank's balance sheet, it does not make the institution solvent.*

*Indeed, the only way for the toxic asset sale to increase shareholder equity is if the buyer overpays for the asset. To accomplish this, the Geithner plan creates a speculative incentive for private investors, by effectively offering them a "put option," whereby taxpayers would absorb all losses in excess of 3-7% of the purchase amount. This is essentially a recipe for the insolvency of the Federal Deposit Insurance Corporation itself, which would provide the bulk of the "6-to-1 leverage." To the extent that it is not acceptable for the FDIC to fail, the Geithner plan implies an end-run around Congress, and would ultimately force the provision of funds to cover probable losses."*

To my simple understanding of this plan the proposal is just another way for the fat cats to walk away with the spoils whilst Mr. Public is left to pick up the tab for many years and maybe decades to come.

Today everyone is a Keynesian. According to the majority of commentators and government spokespeople the only way for an economy to maintain aggregate demand in the face of a massive reduction in spending is for government to step in a fill that gap. We have decades of failed Keynesian policy practice to refer to, yet the political need to do something instead of the right thing (nothing) once again sends us back on the path of failed governmental policy. I end with a quote from Henry Morgenthau, US treasury secretary under president Franklin Roosevelt between 1934 and 1945. *"We have tried spending money. We are spending more money than we have ever spent before, and it does not work. I want to see the country prosperous. I want to see people get a job. I want to see people get enough to eat. We have never made good on our promises. I say after 8 years of this administration, we have just as much unemployment as when we started and an enormous debt to boot".*

**Michael Berman**  
Fund Manager

Note on Benchmark.

As mentioned in previous letters, I believe the best benchmark for performance is the global hedge fund index. I like to get our month end reports out as near to the beginning of the month as possible. Therefore I have decided to use HFRX which is a live tradable index. I will change the time series completely to HFRX from Eureka as soon as I have full access to the data. The data as presented provides a very close approximation of the benchmark.

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