Velocity Global Macro REIT Fund
October 2009

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?

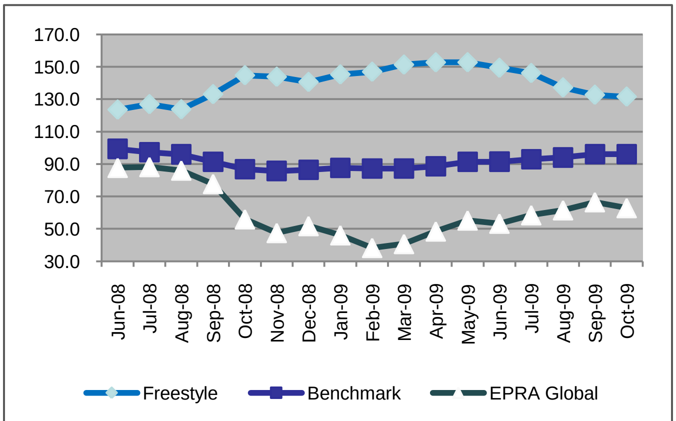
The Fund invests in global real estate securities and provides an investor who is looking for an absolute return investment the opportunity to diversify into another asset class.

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	**17%**	**Shorts**	**83%**
Net Exposure	**-88%**	**Leverage**	**1.4**
Correlation	**- 47.84%**	***Monthly Theta % of fund***	**-5.56%**
Beta* of Fund *(monthly)	**- 0.25**	***Alpha (monthly)***	**1.34%**

Key Statistics *

Return Since Inception (June 08)	31.56 %
Annual Return	22.28 %
Return YTD – through October 09	-6.44 %
Average Monthly Return	1.82 %
Volatility (Standard Deviation Annualized)	23.40 %
Sharpe Ratio (RFR 2.00%)	0.85
Sortino Ratio (RFR 2.00%)	1.20
Best Month	23.11 %
Worst Month	-6.09 %
% Winning Months	52.94 %
% Losing Months	47.06%
No of Months	17

Fund Relative Performance *

Freestyle Fund – Current Month – October 2009	-0.86 %
Freestyle Fund – Year-to-Date – 2009	-6.44 %
Freestyle Fund – From Inception – June 2008	31.56 %
Benchmark ^ – Current Month – October 2009	-0.06% %
Benchmark – Year-to-Date – 2009	11.21 %
Benchmark – From Inception – June 2008	-3.90 %
EPRA Global *^ – Current Month – October 2009	-5.46 %
EPRA Global – Year-to-Date – 2009	21.49 %
EPRA Global – From Inception – June 2008	- 37.09 %

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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ABN. No.: 85 133 807 271

Disclaimer

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	-6.44%	3.34%	1.14%	2.57%	1.37%	0.01%	-2.24%	-2.17%	-6.09%	-3.32%	-0.86%		

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

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Fund Commentary

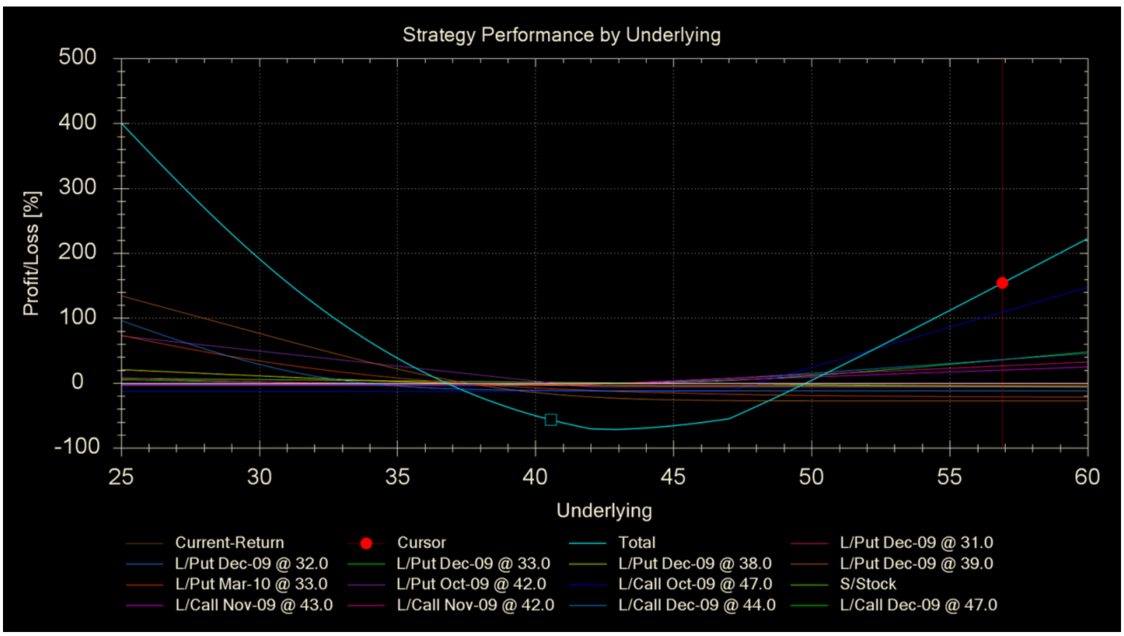
Summary of Performance and Strategy

This month felt like the market was on the verge of a big move but October proved to be relatively uneventful on the surface, internally there seems to be have been lots of distribution. Down days experienced high volume with Up days enjoying very low volumes. What is interesting is that the high for the US REIT bounce was back on the 23rd September, resulting in divergence with the DOW, S&P, Global REIT and other broad indices. The topping process is different to bottoming as hope at the top dissipates slower than the fear at the bottom, therefore one typically witnesses splinters in the markets with one index after another saying, “that's it I am out”.

You will notice a new statistic in the performance attribution table on the previous page, detailing the monthly *theta* attributable to the funds option portfolio. A relatively high 5.56% of the value of the fund was decaying a month as of the end of Oct. This is typically a higher % than a normal month, but we decided to express our extreme bearishness through shorter dated, richer *theta* option plays with a little more octane in the “tails”. With major indices making new recovery highs, e.g. Dow above 10,000 we were on guard for a “blow-off” and chose to apply a stricter risk / reward profile as is evidenced by the “smile” on our option payoff profile as displayed below. ☺

November needs to see follow through from the recent weakness that entered most equity markets globally from the 21st October, otherwise the overbought conditions present in the market may be able to reset themselves sufficiently to attempt further recovery highs. This is unlikely but remains a probability. The world economies, especially the US remain extremely vulnerable with continued unemployment growth, weekly bank failures, increased bad debt pressure coming from commercial real estate with many other political & economic structural flaws coming to the surface.

US Option Portfolio



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Back to School

UNCERTAINTY in CERTAINTY

I am sure you have all experienced a feeling of knowing with differing degrees of certainty, but cannot fully explain it. The most common way of explaining this experience is to attribute the level of certainty with a higher degree of knowledge or some prefer to rely on a meta psychic experience such as intuition. I am going to attempt a more philosophical explanation using the natural sciences and try and link it to the way I have experienced the markets over the last few months. The learning experience has given me a good perspective of this seemingly crazy world of financial markets. As a non scientist I extend fair warning that I may not be doing these iconic subjects true justice, so please bare with my superficial understanding and before we dive in, I owe credit to physicist/theologian Gerald Schroeder for the germination of the idea from his book, "The Science of G-d".

The story begins with the birth of a famous French Mathematician in 1749 by the name of Pierre-Simon Laplace who took the Newtonian mechanical approach of cause and effect and pioneered a whole new field of study called Causality or Determinism (there is a difference but lets leave Determinism for another "Back to School" section). In staying with this approach of cause and effect, Laplace introduced the idea of accurate forecasting, believing that every aspect of the universe and by extension life could be predicted by knowing the cause and applying empirically validated formulae (e.g. Newton's 2nd law) to derive the effect. These insights were further strengthened early in the last century by Einstein's, "General Theory of Relativity".

Now this is where things get interesting, lets meet Mr Heisenberg an Austrian Physicist who discovered in 1927 that the more precisely one is able to identify a physical property the less precisely one can predict natures causative effect; his discovery called Heisenberg's Uncertainty Principle is the foundation to the ever growing field of Quantum Mechanics. According to the Uncertainty Principle explained by the equations of Quantum Mechanics it is impossible to measure a microscopic particle with any degree of accuracy or certainty and the more microscopic you go the less certain the equation becomes. To my simple mind the more confined the space it would make sense that the more accurate your predictions are likely to be, but the reality of nature is not so intuitive. Another way this discovery is often unknowingly explained is that the more you know about a certain area of specialty the more you realize how little you know. This is counter intuitive but is the reality of the experience.

So lets try and apply these fascinating discoveries to the trading of financial markets and see what philosophical insights we can draw so that we become wiser in our approach to money management.

Laplace taught us about cause and effect; Economics left to its true free market essence is after all a reflection of life and therefore suffers the same causative effects so beautifully described by Adam Smiths "invisible hand". In other words there are certain causes and effects that observed from a distance must in fact take place. Take an economy that consumes more than it produces, by simple deductive laws of logic this economy will self destruct (US currently); another cause and effect example would be where an economy backed by fiat currency continues to print money faster than the real growth of the economy (US currently), the only logical cause and effect result will be a currency that devalues.

This I believe is where most economists, chartists and fund managers chasing short term predictions come unstuck in their analysis and pursuit of precision. They are missing an important part of the equation. Heisenberg with his Principle of Uncertainty has taught us that as we attempt to use ever more precise detail with our Newtonian based economic/finance/technical tools we are not in fact achieving greater certainty with our forecasts but in fact the opposite is true. These insights are all counter-intuitive and my interpretation is that just like with the natural sciences forecasting accuracy is more assured over a longer term (cause and effect above the subatomic level) than over a shorter (more precise subatomic) term; hence the title of this essay Uncertainty in Certainty. Yes we know with certainty how things will end in general terms, the problem remains that as we try and predict how things will unfold in the short term we are introducing Heisenberg's Principle of Uncertainty, and our certainty diminishes as we become more specific.

To conclude this does not mean that I believe we cannot make better than random short term forecasts, rather I believe that as ones predictions move to a micro level the uncertainty factor increases, it is a law of nature, and therefore one needs to ensure that our money management processes compensate for this uncertainty.

MICHAEL BERMAN