

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:

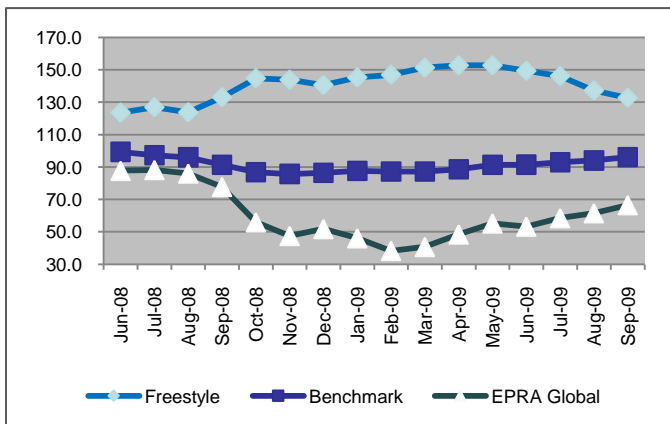
- The Fund is managed using *quad unity theory*: fundamental, technical, quantitative and sentiment valuation techniques.
- Unique "top-down" approach.
- The Fund allows for both Long and Short Investing.
- Underlying investment in international real estate, with diversified geographical exposure.
- 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	5%	Shorts	95%
Net Exposure	-90%	Leverage	1
Correlation	- 47.84%		
Beta of Fund (monthly)	-0.25	Alpha (monthly)	1.55%

Key Statistics *

Return Since Inception (June 08)	32.70 %
Annual Return	24.53 %
Return YTD – through September 09	-5.63 %
Average Monthly Return	1.99 %
Volatility (Standard Deviation Annualized)	24.04 %
Sharpe Ratio (RFR 2.00%)	0.91
Sortino Ratio (RFR 2.00%)	1.59
Best Month	23.11 %
Worst Month	-6.09 %
% Winning Months	56 %
% Losing Months	44 %
No of Months	16

Fund Relative Performance *

Freestyle Fund – Current Month – September 2009	-3.32 %
Freestyle Fund – Year-to-Date – 2009	-5.63 %
Freestyle Fund – From Inception – June 2008	32.70 %
Benchmark ^ – Current Month – September 2009	2.22 %
Benchmark – Year-to-Date – 2009	11.28 %
Benchmark – From Inception – June 2008	-3.85 %
EPRA Global ** – Current Month – September 2009	8.11 %
EPRA Global – Year-to-Date – 2009	28.50 %
EPRA Global – From Inception – June 2008	-33.46 %

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	-5.63%	3.34%	1.14%	2.57%	1.37%	0.01%	-2.24%	-2.17%	-6.09%	-3.32%			

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

The markets continue to “climb the wall of worry” with every selloff resulting in fresh new highs. The main theme of the fund remains; we are in the terminal phase of this bear market rally. Yes we may experience a few new highs, however the broader markets are starting to splinter with the Chinese market leading the way down on the international front and Homebuilders and Housing Construction Indexes leading the way on the US domestic front, I think US REITs have topped as well (see chart below).

It is part of the funds DNA to nose bleed at times of elevated extremes in valuation and sentiment as we position ourselves (normally a little early) to profit from a favourably skewed risk / reward profile; as they say “no pain no gain”.

I do not wish to labour the point that the solutions provided by accomodative monetary policy and fiscal stimulus are nothing more than band aids to the underlying structural problems which will no doubt compound the problems as governments are forced to repay the loads of debt they are currently piling on tax payers shoulders. The end game will not look pretty as the options to salvage the inherent problems within the system become exhausted. Oct. 1 (Bloomberg) – “There was a stunning omission from the government’s latest list of ‘problem’ banks, which ran to 416 lenders, a 15-year high, as of June 30. One outfit not on the list was Georgian Bank, the second-largest Atlanta-based bank, which supposedly had plenty of capital.” I have read nothing about this in the mainstream press. The banks assets were recently valued at \$2bn and will cost the FDIC almost \$1bn, i.e. almost half its assets went bad in only 3 months. I wonder how many other banks out there are on the verge like Georgian. According to a leading research house the number stands at 1,000 banks with a score of F (fail), this equates to a potential cost of \$7trillion, a number that would bankrupt the FDIC many times over.

Ticker: IYR representing the US Index



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Back to School Segment**FEELINGS**

The subject of Behavioural Finance is becoming extremely well known in finance and investing circles; however, there remains a common misconception as to the role feelings play in our decision making process. Superficially it appears that our feelings cause us to make irrational decisions in situations of uncertainty and therefore the best cure for our attack on our feelings bias's is to cut them out completely. Until recent advancements in neuroscience this mistaken assumption would have been acceptable thinking; for investment decisions this is part of the solution, going forward far more comprehensive models will be required to outsmart our own smarts.

Allow me to take you on a journey of philosophical thinking before providing you with some scientific proof. Importantly these ideas have been generated from an excellent book by neuroscientist Jonah Lehrer called, *The Decisive Moment*.

The question of how we make decisions has been puzzling philosophers throughout the ages. Plato was one of the 1st to tackle the subject and used the now famous analogy of a charioteer being pulled by 2 horses. The charioteer being the rational brain with one horse representing good and the other bad combining to represent our feelings. *Plato wrote of the bad horse, 'He is of an ignoble breed. He has a short bull-neck, a pug nose, black skin, and bloodshot white eyes; companion to wild boasts and indecency, he is shaggy around the ears – deaf as a post – and just barely yields to horsewhip and goad combined'. What Plato was putting across is that the human job as charioteer is to keep going forward by keeping both horses under control and in so doing he pioneered the thought of the mind being separated into 2 spheres; reason and emotion as became accepted by western culture.*

René Descartes a leader of the Enlightenment era took a similar view and separated man into a soul representing the reasoning part of man, and a body full of 'mechanical passions'. His objective was to advance man as an entity that could triumph reason over emotion, with the Cartersian faith forming the basis of modern philosophy. Francis Bacon and Auguste Comte took this rational approach to society further as did Thomas Jefferson with his hope for America been governed by reason alone. Immanuel Kant took it a step further with the imperative that morality was rationality. Freud to embraced Plato's style of thinking by describing the mind as divided into a series of conflicting parts (id, ego) with the survival of modern society incumbent on man sacrificing the id (pleasure principle) for the sake of greater good.

To summarize; the line of thinking Plato and his followers supported was a utopia whereby man could use his reasoning sphere of the mind to completely shut out the emotional side, which after all was the cause of all mistakes throughout the ages. As Lehrer in his book puts it, 'the truth is far more interesting'. Science proves to us that in fact both sides are mutually dependent upon each other and without emotions reason wouldn't exist at all. Talk about turning accepted philosophy on its head. In the story that follows Lehrer presents a case study where we learn how important emotions are in our decision making process.

In 1982, a patient named Elliot walked into the office of neurologist Antonio Damasio. A few months earlier, a small tumor had been cut out of Elliot's cortex, near the frontal lobe of his brain. Before surgery Elliot had been a model father and husband and held an important management job. But the operation changed everything. Although Elliot's IQ stayed the same he now exhibited one psychological flaw: he was incapable of making a decision. This made normal life impossible, routine tasks that would take minutes now took hours, with endless deliberation over irrelevant details. Damasio realized while in conversation with Elliot and later confirmed it with scientific brain testing that Elliot no longer had feelings.

At that time neuroscience believed human emotions were irrational and therefore not having feelings should make for better decisions. 'The charioteer should have complete control'. What we now know is that a brain that cannot feel cannot make up its mind.

To bring some closure to this journey it is worth understanding how the emotional brain system works according to neuroscience. 'The orbitofrontal cortex (OFC) is responsible for integrating visceral emotions into the decision-making process. It connects the feelings generated by the primitive brain – areas like the brain stem and the amygdala, which is in the limbic system – to the stream of conscious thought'. To say this in English the brain only feels comfortable making decisions when it experiences positive stimuli along the brain stem, rational calculation at this stage is irrelevant. The field of neuroscience is scientifically able to demonstrate how certain stimuli trigger emotions and how these emotions impact on the decision making process. This ability to understand brain computation through physiology makes the field of Behavioural Finance and Neuroscience codependent in helping us unlock some of the great puzzles of the human mind.

I would therefore like to suggest that we should only move forward with the task of blocking our bias's with the deeper understanding that our feelings are vitally important in helping us make decisions; it is just in the domain of areas of rational thought that produce certain brain stimuli and hormone release that we need to guard against our feelings. To negate feelings just because we are scared of the bias's they may represent is a one dimensional approach to the teachings of Behavioural Finance and is perhaps a misdirected objective - much like the philosophy taught by Plato and his followers. The future to better decision making under conditions of uncertainty may lie in the studies produced by Neuropsychology in conjunction with Behavioural Finance.

MICHAEL BERMAN