SAMSON
CAPITAL ADVISORS

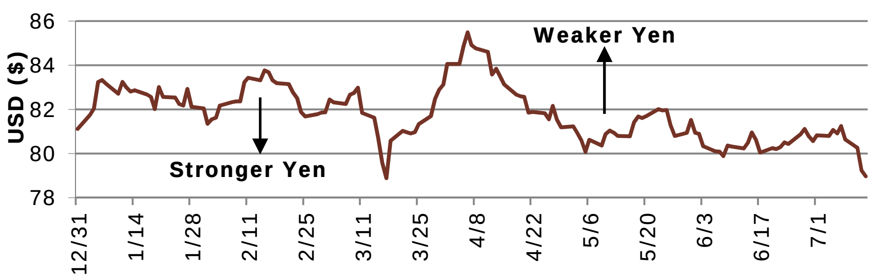
Samson Multicurrency Plus Strategy

Strategy and Performance Review

The outperformance of the strategy during the second quarter was driven in part by themes outlined in our previous commentaries and developments noted below.

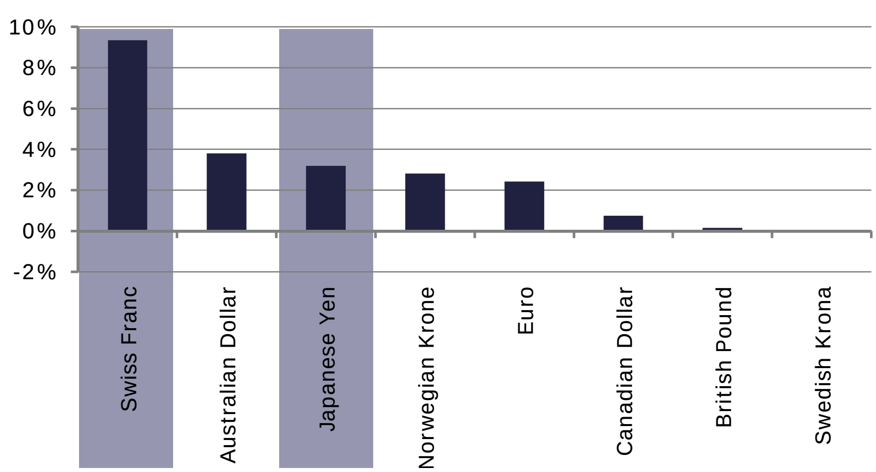
We noted in our last commentary that the role of the Japanese Yen as a safe haven currency had largely been eclipsed by the Swiss franc. In fact, in our March commentary, the "Changing World of Fixed Income and Currency Safe Havens", we wrote that the G-7 currency intervention had likely set the high water market for the Yen against the dollar. It appears that it has. Despite safe haven moves in the second quarter, largely in response to varying alarms about Greece, as the chart below shows, the Yen never broke through the early March high water mark.

Japanese Yen (12/31/10 – 6/30/11)



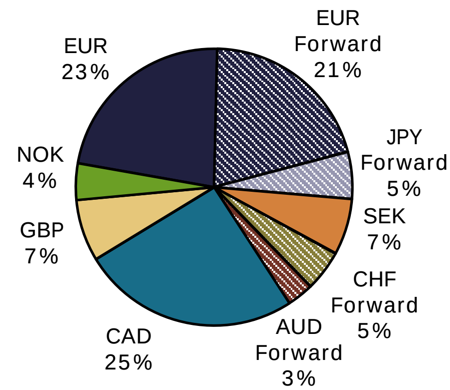
We noted in our first quarter commentary that the Swiss franc would be the likely beneficiary of safe haven moves and as the chart below shows, it significantly outperformed the Yen for the period. During the quarter, we were underweight the Japanese Yen, and overweight the Swiss franc.

Relative Performance of Currencies (3/31/11 – 6/30/11)

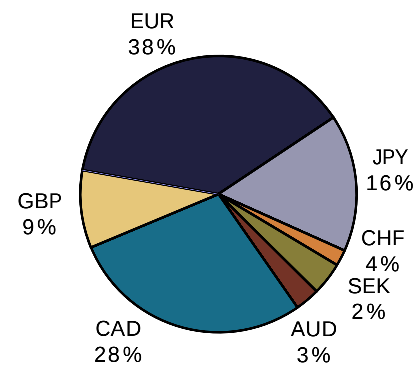


We have steadfastly argued that the Euro would survive as a currency, the resources existed to resolve the crisis, and the political process (though

SMP Currency Exposure
As of 6/30/11

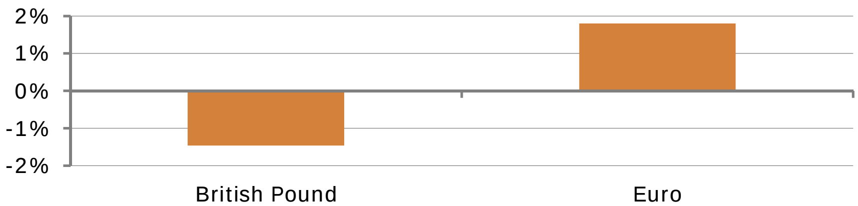


Federal Reserve Trade Weighted Majors Index Currency Exposure
As of 6/30/11



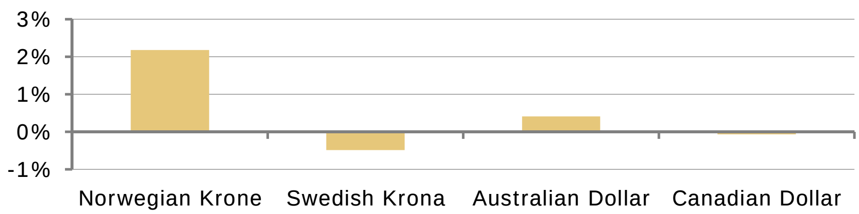
messy) would unfold in a manner consistent with a 60+ year trend towards increased unity among the European nations. We entered the quarter with an overweight to the Euro and increased it modestly by the end of the quarter, largely at the expense of the British Pound. Our movement from Pounds to Euros occurred in an incremental fashion and began in mid-May as it became particularly clear the British economy was decelerating. The chart below shows the divergent performance between the two currencies.

British Pound vs. Euro (5/12/11-6/30/11)



Throughout the quarter we built meaningful positions in the Norwegian Krone and the Swedish Krona, in part at the expense of the Australian dollar and Canadian dollar. While we continue to view the Australian and Canadian dollars as strong balance sheet countries, we believed they were increasingly fully valued. Our allocations to the Scandinavian currencies not only increased our overall exposure to strong balance sheet countries (i.e. lower debt/GDP ratios), but also helped us to trim our exposure to currencies whose economies are stabilizing and where the need for central bank rate increases may be diminishing. Though the Swedish Krona has yet to perform, and in fact has been a drag on performance, the Norwegian Krone has performed particularly well since we began building these positions.

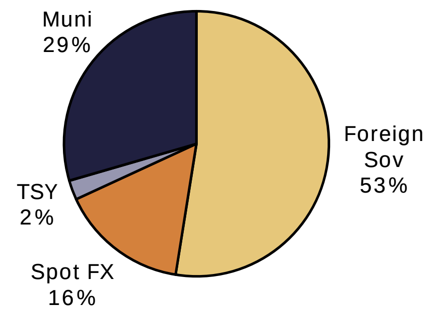
Swedish Krona and Norwegian Krone (5/12/11-6/30/11)



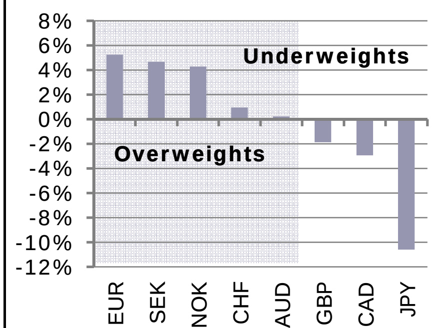
Looking Forward

The Euro is likely to continue to surprise consensus views calling for its demise for a few basic reasons. The charts on the next page highlight the fundamentals of the Eurozone economy relative to the challenges posed by the Greek debt crisis. The resources for a resolution are abundant, particularly when we examine not only the relative size of the Eurozone economy vs. Greece, but the size of the European Financial Stability Fund relative to Greek debt outstanding. In addition, central banks around the world continue to diversify their currency reserves away from the dollar. When we compare the relative sizes of the Eurozone economy to the US economy, and relative central bank holdings of these currencies, it becomes clear foreign central banks will be adding to their Euro positions for some time.

SMP Sector Distribution
As of 6/30/11



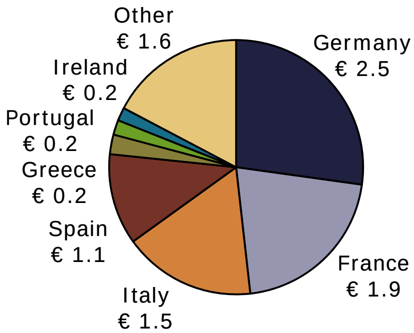
SMP Current Weights
As of 6/30/11



The Federal Reserve Trade Weighted Major Currency Index is a weighted average of the foreign exchange values of the U.S. dollar against a subset of currencies in the broad index that circulate widely outside the country of issue. The weights are derived from those in the broad index. The broad index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. The index weights, which change over time, are derived from U.S. export shares and from U.S. and foreign import shares.

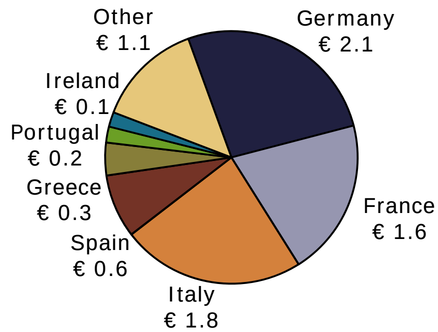
The U.S. Dollar Index® is composed of a basket of the world's major currencies. The currencies that make up the U.S. Dollar Index are representative of America's major trading partners and currently include Euros, Japanese Yen, British Pound, Canadian dollars, Swedish Kronas, and Swiss francs. The relative weighting of a particular currency in the index reflects the amount of trade the U.S. does with that country. U.S. Dollar Index® and USDX® are trademarks and service marks of the New York Board of Trade®.

Total Eurozone GDP = €9.2 Trillion

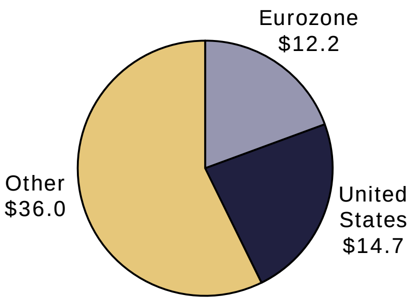


Size of European Stability Fund:
€750 billion

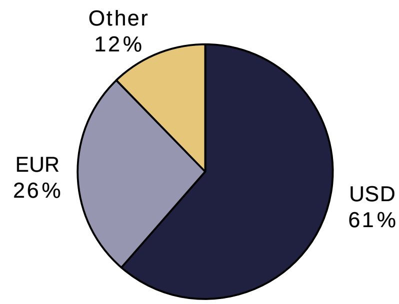
Total Eurozone Debt Outstanding = €7.8 Trillion



Total World GDP as of 2010 = $62.9 Trillion



World Foreign Currency Reserves



While we expect to maintain a meaningful position in the Euro, we will also likely continue to emphasize strong balance sheet countries in our strategy. The tables below will help to explain our definition of strong balance sheet countries. In our view, these are nations with low debt/GDP ratios and smaller budget deficits (a surplus is better, but hard to find these days).

Surplus % GDP

Stronger ← → **Weaker**

	Norway	Switzerland	Sweden	Australia	Canada	Eurozone	Japan	UK
Surplus % GDP	9.5	1.3	0.0	-0.4	-2.9	-7.0	-7.3	-10.4

Debt/GDP Ratio

Stronger ← → **Weaker**

	Australia	Canada	Switzerland	Sweden	Norway	UK	Eurozone	Japan
Debt/GDP Ratio	22.4	34.0	38.2	40.8	47.7	76.5	85.1	225.8

From our perspective Norway is particularly impressive: A nation with a large surplus, that based on current trends, has the capacity to pay off all of its debt. Japan is particularly unimpressive: A nation with a large deficit, and the largest debt/GDP ratio in our solution set. This data helped to inform our decision to overweight the Norwegian Krone and underweight the Japanese Yen.

Yet, strong balance sheet countries have another characteristic that we seek: transparency and strong governance practices rooted in law. While we continue to conduct research in this area, as readers of our prior commentaries know, one nation that deeply concerns us is China. Though many continue to make a case for holding Yuan, namely on the basis that the leadership of this totalitarian regime will revalue the currency upward against the dollar, we remain skeptics. If an investor's investment process for selecting currencies includes transparency, governance, and the rule of law, the Yuan simply does not meet these criteria. China recently announced it had "discovered" $540 billion in local debt that it had not previously disclosed to the world. What other undisclosed debt exists in China? How does this differ from concerns about regions in Spain that make such disclosures, or Greece? Yet, the market has chosen not to focus on this point yet. It will be interesting to see the impact on risk assets should that happen.

Jonathan E. Lewis
Principal
July 15, 2011

Sources: IMF, Eurostat, Bloomberg

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***All performance results include reinvestment of income and are net of applicable expenses and fees. The performance information shown has not been audited, but the information for the period from inception to December 2009 is based upon audited financial statements.

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Data Sources: Bloomberg®

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