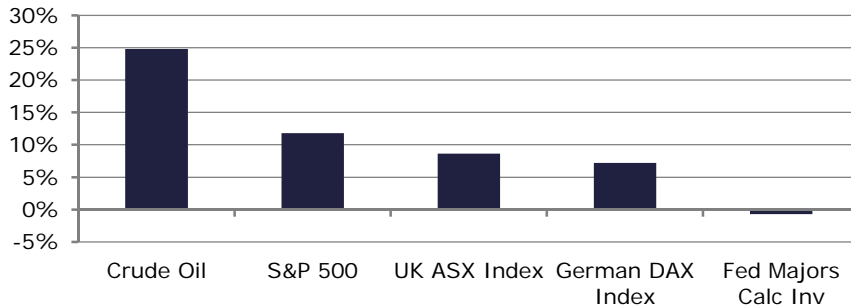


Samson Multicurrency Plus Strategy

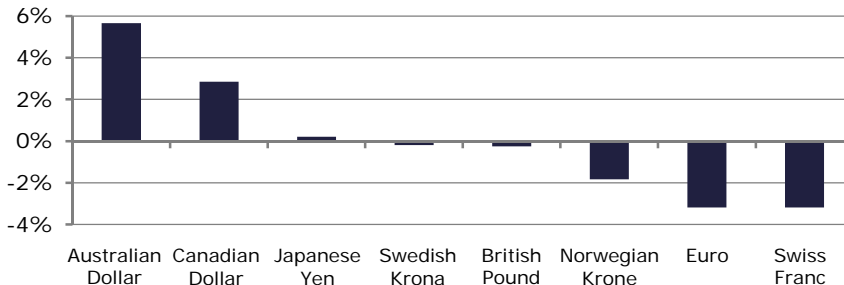
The safe haven dollar rally that dominated much of 2011 faded as the world embraced the “risk on” trade with renewed vigor. As the chart below shows, during the 4th quarter oil surged, equity markets rallied, and the US dollar (as measured by the Federal Reserve Majors Index) began to lose value.

Relative Performance (9/30/11 – 12/31/11)



Though the Federal Reserve Majors Index fell in value for the period, performance varied greatly across the major currencies and reflected the shift in market sentiment towards recovery and growth, and away from decline and global recession.

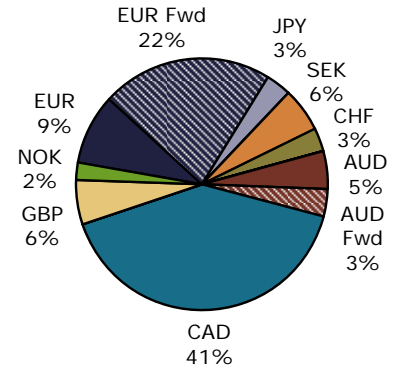
Relative Performance of Currencies (9/30/11 – 12/31/11)



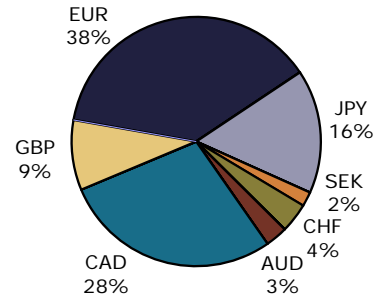
Our outperformance for the quarter reflects the significant overweights we maintained in the Canadian dollar and the Australian dollar. These allocations performed particularly well as markets embraced growth and the currencies of well-diversified commodity economies. One notable exception was oil producing Norway, whose central bank reduced interest rates to offset the impact of a broader European economic slowdown. As relative central bank policy is a cornerstone of our investment process, we reduced our exposure to Norway accordingly. Not surprisingly, the worst performing currencies during this period were the euro (for reasons all too familiar) and the Swiss franc (due to the Swiss National Bank’s decision to essentially peg its currency to the euro).

While we were underweight the euro during the 4th quarter, we do not believe the currency will collapse, and we will look for re-entry points to increase our exposure back towards neutral. We are encouraged by the

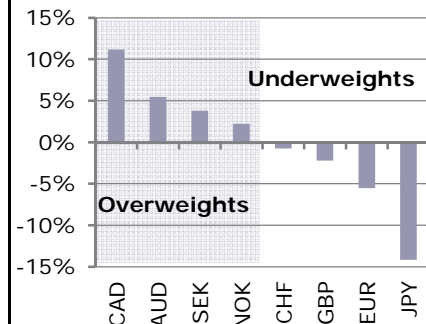
SMP Currency Exposure
As of 12/31/11



Federal Reserve Trade Weighted Majors Index
As of 12/31/11



SMP Weights as of 12/31/11



slow, admittedly halting, steps to resolve the debt crisis in Europe and the ECB's decision to offer considerable liquidity to the European banking system for a term of 3 years. Many had expected the ECB to cut rates dramatically in recent months. While it is true the ECB has reduced rates (hence our underweight to the currency), the reduction has been orderly. In fact, at recent meetings the rate has been held steady at 1%, significantly higher than the Fed's 0% rate policy. Successful bond auctions in Italy and Spain, buoyant European equity markets, and signs of economic stability suggest the worst fears about the Eurozone are unlikely to be realized. Though the S&P ratings downgrade of several European sovereigns rattled markets briefly, the decision was not unexpected. Other than the President of France (and perhaps Inspector Clouseau), is there anyone who was actually surprised that the credit quality of certain European nations has declined?

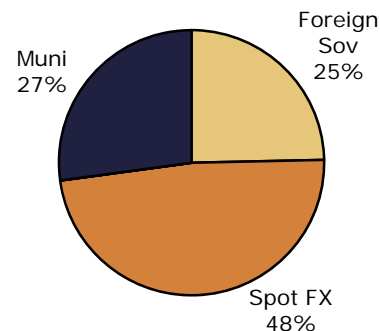
When we consider 2011 in its entirety, we believe it provides a textbook example of the importance of utilizing an intermediate to longer term investment process in currency markets. The Federal Reserve Majors Index finished the year nearly flat with a -0.2% return, however, there were many opportunities for investors to be whipsawed by the swift changes in market sentiment that occurred.

Currency managers as a whole, many with an emphasis on short term trading strategies, performed particularly poorly during 2011. For example, the Parker Global Currency Manager Index, a total return benchmark that tracks the returns of a variety of currency management styles, generated a -6.05% return for the year. In our opinion, this index underperformed due to the shorter term trading strategies frequently employed by hedge fund and currency managers. The managers represented by this index, which tracks 57 currency programs managed by 49 investment firms, oversee about \$47 billion in currencies, and represent a broad sample of returns experienced in this space.

We believe our underperformance for the year, while disappointing, was largely the function of a longer term investment process that readers of these commentaries know well: a focus on relative central bank analysis and relative economic fundamentals. In that context, we are traditionally underweight the yen, which was a major contributor to our underperformance.

When will we reverse our stance on the yen? When it exhibits the characteristics we typically associate with strong nations as defined by the strategy's investment process: a healthy economy, a central bank that is more hawkish than its peers, and forward looking market indicators that suggest a sustained period of economic outperformance. None of these factors are currently present, thus our position towards the yen will continue to be an underweight in some form.

SMP Sector Distribution
As of 12/31/11



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®.

Looking forward, our research at Samson shows that there are other factors that help define the relative strength of a currency. In the past we have written about how economic freedom informs our view of currency strength. Another concept we have examined is the relationship between national economic fundamentals and currency performance. For example, the chart below shows the importance of not just the level of nation's debt to GDP ratio, but the direction of that ratio (higher or lower) as a factor in the currency return.

Change in Debt to GDP Ratio vs. Currency Performance (2000-2010)*



*The Swiss franc and Japanese yen are not included in this analysis because their role as safe haven currencies distorts their returns against the dollar.
 **Foreign currencies are measured in USD terms. The US dollar return is measured against a basket of foreign currencies (Fed Majors Index).

Source: OECD

We believe a strengthening ratio may be indicative of a strengthening currency. We will continue to conduct research on the attributes that define a strong nation and look forward to reporting them to our readers in the future.

Jonathan E. Lewis
 Managing Principal
 Chief Investment Officer

January 25, 2012

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