SAMSON CAPITAL ADVISORS

Samson Multicurrency Plus

Strategy Review and Outlook

Both our currency selection strategy and short duration sovereign management strategy played important roles in the outperformance of Samson's Multicurrency Plus Strategy. Developing economies like China are robust and seemingly accelerating. The forces unleashed by these industrializing economies favor renewed allocations to commodity-linked currencies. Thus, while we entered the second quarter with only modest allocations to the Canadian dollar and no exposure to the Australian dollar, in the first days of the quarter we made significant purchases of the Canadian dollar, followed up with an allocation to the Australian dollar.

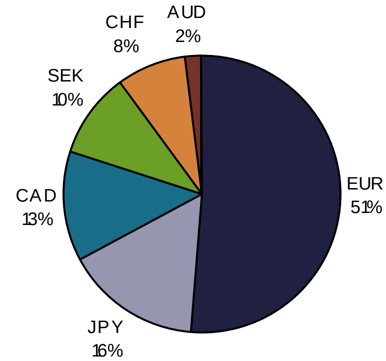
Like bond and stock markets around the globe, currency markets are caught in a tug of war between the obvious strength of the emerging economies of the world and growing concerns about the state of the U.S. housing market, and consequently, sub-prime mortgages. While the acceleration of global growth excluding the U.S. supports a commodity-linked currency emphasis at this time, our allocation to these currencies is also supported by our conclusion that the U.S. Federal Reserve, concerned about a housing related slowdown, is unlikely to raise interest rates to dampen inflation pressures. If the Federal Reserve is unlikely to raise rates further, an important potential challenge to accelerating global growth has been removed.

Yet a Fed on hold, while positive for the global economy, presents U.S. dollar risks that investors with a secular bearish view on the dollar should consider. If the Fed is less likely to be an effective inflation fighter, than investors in the world's largest economy deserve a greater risk premium for their U.S. investments. This risk premium could be expressed through a revaluation of the U.S. equity and bond markets relative to their global counterparts, or in a further revaluation of the dollar itself.

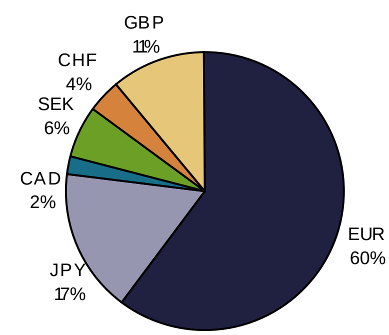
Rising U.S. risk premiums may also foster broader concerns about risk in general and the benefits of flight to quality beneficiaries. This analysis is also among the reasons why we decided to increase our exposure to the Swiss Franc – an allocation that is likely to rise in the weeks ahead. In a period where risk premiums may rise, a Swiss Franc allocation is sensible, not only because the Swiss Central Bank retains substantial gold reserves, but also because it is increasing rates.

In addition to our increased allocations to the Swiss Franc and the commodity-linked currencies, we also reduced our exposure to the British Pound during the quarter. While the British economy remains healthy, and the Bank of England may have more tightening left in this cycle, it is clearly near the end of a long string of rate hikes. Other currencies likely offer better long-term opportunities to add value.

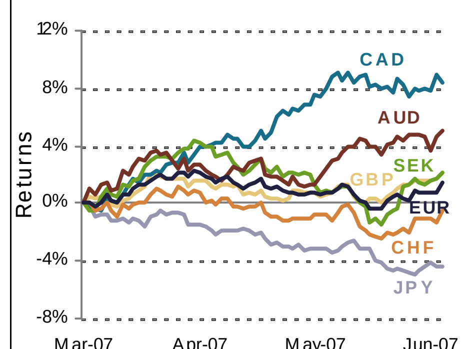
SMP Currency Exposure
As of 6/30/2007



SMP Currency Exposure
As of 3/31/2007



Currency Performance
3/31/2007 - 6/30/2007



Data Source: Bloomberg®

U.S. Dollar and Long-term Concerns

While we have addressed our intermediate term outlook within a policy and macroeconomic framework, recent IMF and BIS studies provide a useful springboard to address the long-term outlook for the U.S. Dollar itself, and the continued desirability of a multicurrency strategy in general at this point in time. Earlier this summer, the IMF released its list of world economic rankings: Using traditional measures, China is fourth on the list of world economies with a value of $2.6 trillion, just behind Germany. When the IMF ranks world economies on a purchasing power parity terms, rather than U.S. dollar terms, China becomes the second largest economy in the world with a 2006 GDP valued at $10 trillion, compared to a U.S. GDP measured at $13 trillion. To the extent a purchasing power ranking is a better reflection of relative economic power, an investor may have a greater preference for holding concerns about the U.S. as an economic hegemon, and a greater desire for a multicurrency allocation based on free float currencies.

Furthermore, as we outlined in our commentary, "What the Bank of China Can Teach Us About Investing in Foreign Currencies," central banks are seeking to diversify their large U.S. dollar holdings. This trend is among the more important fundamental developments that relate to constructing a long-term view on the dollar.

Large economic forces remain at work; still, we must be mindful of the possibility that short term dollar rallies can develop, and they can be painful despite the soundness of a non-dollar view. In this context, it is important to remember why we have argued that currencies should be viewed as a separate asset class, an effective tool for building well diversified portfolios. Even when the dollar rallies, a multicurrency strategy offers important diversification benefits for investors concerned with constructing broadly diversified, lower volatility portfolios. In this regard, we remain confident that a multicurrency strategy remains a more effective asset allocation building block than traditional global fixed income strategies.

Jonathan E. Lewis, Principal

July 25, 2007

For Investor Relations questions and further information about the Samson Multicurrency Plus Strategy, please contact Nelly C. Xavier at 212-300-1600, or xavier@samsonca.com.