

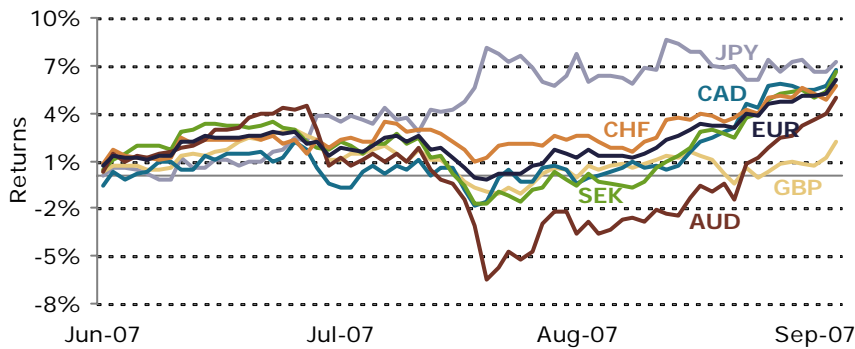
Samson Multicurrency Plus

Period Summary

By the beginning of the 3rd quarter, we had positioned the Samson Multicurrency Plus Strategy for a world in economic conflict. As we explained in the 2nd quarter 2007 commentary, we believed currency markets would likely be caught in a tug of war between the forces of strong global growth outside of the United States, and growing concerns about the condition of America's economy. In this framework, our allocations to the Canadian and Australian dollars (natural resource-driven currencies) were designed to position the Strategy for the strong growth we expected outside of the U.S. Our allocations to the Swiss Franc and the Japanese Yen (flight to quality currencies) were intended to insulate the Strategy from the volatility that we believed could be unleashed by a flight to quality event sparked by the U.S. housing crisis. While our July 25th commentary did not suggest a financial panic would occur in August, we did observe the possibility of rising volatility, falling equity markets, and the probability that in such an environment, the Fed would no longer pursue a restrictive policy. This, we explained, would likely accelerate a decline in the value of the dollar.

Indeed, this is what happened during the last two months of the 3rd quarter. Financial crisis in August led the Fed to aggressively lower the Fed Funds target in September and the dollar fell sharply. As a result, this was a particularly strong period for our Strategy. Both our currency selection strategy and our short duration sovereign management strategy played important roles in our outperformance vs. the benchmark, the Calculated Inverse of USD[®]. The short duration posture and AAA average sovereign credit quality underscore the conservative character of the Strategy's interest bearing investments.

Relative Performance of Currencies (6/30/07 – 9/30/07)



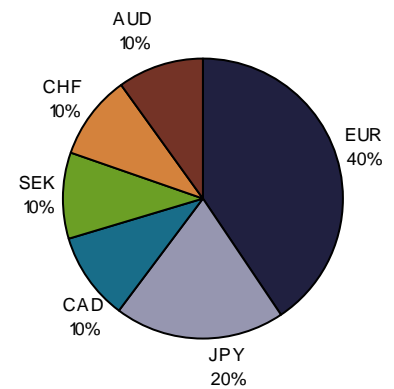
Data Source: Bloomberg[®]

Period Highlights

- World in Economic Conflict
- Flight to Quality Currencies
- Currency Selection Strategy and Short Duration Sovereign Management Strategy contribute to overall outperformance of strategy

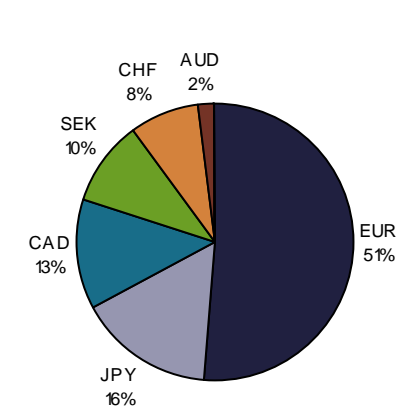
SMP Currency Exposure

As of 9/30/2007



SMP Currency Exposure

As of 6/30/2007



Strategy Review and Outlook

As storm clouds began to cast shadows on the world's markets in the early weeks of the quarter, we increased our allocations to the safe haven currencies: the Japanese Yen and the Swiss Franc. Our investment process also supports allocations to both the Swiss Franc and the Japanese Yen because their central banks are still closer to the beginning of a rate hike cycle, than the end of one. This is in contrast to our decision to eliminate exposure to the British Pound earlier this year, when we concluded the Bank of England was less likely to lift interest rates, and more likely to lower them at some point in the intermediate future.

As can be seen in the chart on page one on comparative currency returns, our allocations to the Japanese Yen and Swiss Franc proved particularly beneficial during August and early September, when world equity and credit markets were in the grips of a panic. In fact, through the end of August they were the best performing currencies in our investment universe.

While allocations to the Japanese Yen and Swiss Franc were important contributors to performance in July and August, our decision to increase and rebalance our commodity linked currency positions in late August and early September was a main driver of outperformance in the last weeks of the quarter. While we increased our commodity linked currency exposure from 15% on June 30th to 20% on September 30th, the composition of that allocation changed considerably. Though we remained positive on global growth outside of the United States, we had to consider the possibility that the domestic housing and mortgage slump would indeed serve to weaken the U.S. economy. In this context, we felt the need to reconsider the composition of our commodity linked currency exposure; the pie charts to the right help illuminate the issues we considered.

When we analyze the trade composition of Canada's major export partners, we find that exports are dominated by trade with the United States. Clearly, Canada's economy, and thus its currency, is potentially vulnerable to a material deceleration in America's rate of economic growth. In contrast, when we review Australia's major export partners we find that the slower growing United States is a small portion of exports, while faster growing China and Korea are more dominant. From this perspective, the Australian Dollar becomes especially attractive vs. the Canadian Dollar. So, while we increased our overall exposure to commodity linked currencies during the quarter, our purchases emphasized the Australian Dollar. This increase in Australian Dollar exposure was in part funded by a reduction in our Canadian position. As the chart on comparative currencies shows, this was an important contributor to performance in September as the Australian Dollar surged off its lows.

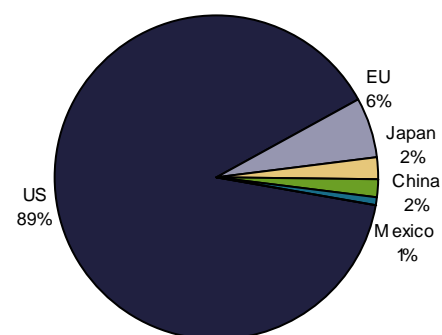
U.S. Dollar and Long-term Concerns

In the 2nd quarter 2007 commentary, we discussed a recent IMF Study that concluded China's economy was nearly equal in size to the United States economy on a purchasing power basis. As we noted, to the extent a purchasing power analysis is reasonable, investors concerned about the

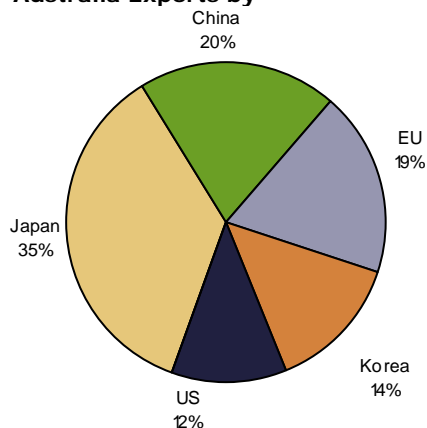
Strategy Review and Outlook

- Safe Haven Currency Performance
- Strategy Benefit of Increased Positions in Commodity Linked Currency
- Global Impact of U.S. Housing and Mortgage Slump

Major Export Partners:



Australia Exports by



Data Source: World Trade Organization®

sustainability of America's role as a global hegemon should consider strategic allocations to foreign currencies.

We decided to examine this issue further by considering some examples from Great Britain's history. The major themes of Great Britain's decline in the postwar era are familiar: an empire exhausted by war, an economy no longer competitive in the global arena, and the end of an imperial system centered on its currency. While the British Pound was in decline for much of the period from the end of World War Two to the end of the Bretton Woods system in the early 1970s, the decline was managed by the great powers through a series of periodic readjustments. Through this managed process, the British Pound dropped from about \$4 USD to the pound to about \$2.6 USD to the pound between 1945 and 1970. It's important to note that most of this decline occurred in the years immediately after World War II as the post war financial structure of the Bretton Woods system was being erected.

As we do not operate in a fixed or managed exchange rate regime, the free float period since the early 1970s seems more relevant than the first years after World War II through Bretton Woods. During the free float era, the British Pound fell from a high of about \$2.6 USD to the pound to \$1.05 USD to the pound in 1985 – a drop of about 60%. Interestingly, the beginning of that free float period also found Great Britain with significant and growing military commitments to Northern Ireland. This was a burden on its economy - certainly, an interesting comparison to America today. While the British Pound's decline during this period was about 60%, the U.S. dollar has thus far declined somewhat over 30% since its fall began in 2002.

A weak pound also had national security consequences for Great Britain, which are worth considering today: In 1956, Great Britain (along with France and Israel) staged a joint military operation against Egypt. The leader of Egypt had nationalized the Suez Canal and Britain and its allies decided to take it back for security and trade related reasons, as well as matters related to national pride. The Prime Minister of Great Britain, Anthony Eden, neglected to clear the military invasion with U.S. President Eisenhower, who greatly disapproved. Eisenhower essentially told Eden that unless British troops were removed immediately from Egypt, the United States would no longer support the British Pound and it would be allowed to fall – potentially destabilizing Britain's economy. Mindful of the fragile state of Britain's economy, Prime Minister Eden removed the troops. ***There are many differences between Great Britain in these historical examples and the United States today: The U.S. economy is dynamic and fundamentally healthy. America's relative economic strength, though declining as other nations grow more rapidly, remains formidable. The United States remains an open society and a center of innovation that is the envy of much of the world.*** Yet, the British example highlights the challenges any nation and its currency face during periods of historical transformation. For example, though there are many differences between Great Britain's invasion of Egypt in 1956, and America's presence in Iraq in 2007, the comparison is worth considering in

U.S. Dollar and Long-term Concerns

- U.S. no longer Global Hegemon in Economic Terms
- Currency Historical Perspective: U.S. Dollar vs. British Pound
- Early Post War Period
- British Pound in the Free Float Era
- Currency Crisis and the Middle East

light of the large amount of dollars held by foreign central banks and sovereign wealth funds. The people who run these large pools of assets may have foreign policy objectives that differ from the United States. While it is difficult to imagine these public funds would be used to influence U.S. foreign policy, as history shows, surprises happen.

While in recent commentaries we have examined some of the factors that help us to put the potential scope of a dollar decline in perspective, in our next commentary we will discuss the role of currencies as an asset class, and how currencies can help better diversify a portfolio even in a strong dollar environment.

Jonathan E. Lewis, Principal

October 25, 2007

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*Calculated Inverse of USD[®]: U.S. Dollar Index[®] and USD[®] are trademarks and service marks of the New York Board of Trade[®]. Neither the New York Board of Trade[®] or its affiliates are connected with or express any opinion concerning the Samson Multicurrency Plus Strategy. Please contact Samson Capital Advisors for calculation methodology.

Data Source: Bloomberg[®]

** Depiction does not represent 100% of all export by country. Canada chart represents 94% of total exports; Australia chart represents 58% of total exports. Data Source: World Trade Organization[®]

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