3rd Quarter 2008 Commentary

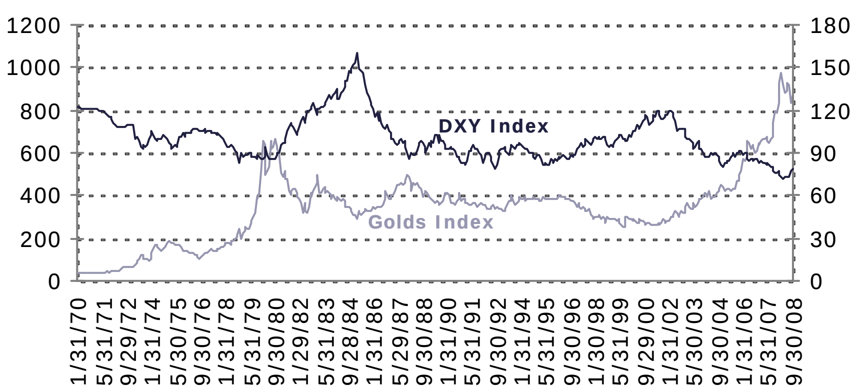
Samson Multicurrency Plus

Will Central Bank Reflation Work, Or Will It Fail?

A financial storm swept through world markets during the third quarter and major foreign currencies were buffeted along with global equity, commodity, and bond markets. In one of the great ironies of this period, the dollar rose sharply as the U.S. financial system neared collapse, the economy slumped, and fears of another Great Depression inspired the greatest equity market collapse in decades. While it will be some time before historians are able to place these events in their proper perspective, it seems reasonable to conclude that the recent sharp dollar rally was less a reflection of U.S. economic strength, than a seizure – the forced repatriation of funds as global investors de-levered, brought their dollars home, and closed out foreign carry related positions that were either no longer profitable, or no longer tenable.

There will be many other explanations for the dollar's surge during the past few weeks, ranging from the central role of the U.S. dollar as a reserve currency to its traditional safe haven status during a time of crisis. In that regard, it may be a little while longer before we hold the official coming out party for the Euro as the world's new safe haven currency. The European Central Bank, impressive as it has been as an inflation fighter, did not receive good marks during this period if we use relative currency returns as our report card.

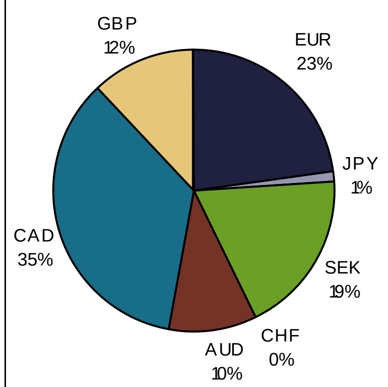
DXY Index vs. Gold



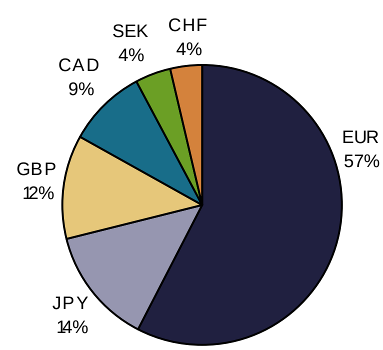
Data Source: BLOOMBERG®

Yet, the question that matters most today is not necessarily the relative performance of currencies, but rather if the aggressive and historic policies undertaken by the Federal Reserve and the U.S. Department of Treasury will work. If the waves of liquidity unleashed by the Fed work, and the Treasury's intervention in the U.S. financial system works, what will happen to inflation? What will happen to gold? What will happen to the dollar? The chart above highlights the anti-correlated character of the relationship between the dollar and gold. As pointed out in our long-term study, *The*

SMP Currency Exposure
As of 9/30/2008



USDX® Currency Exposure



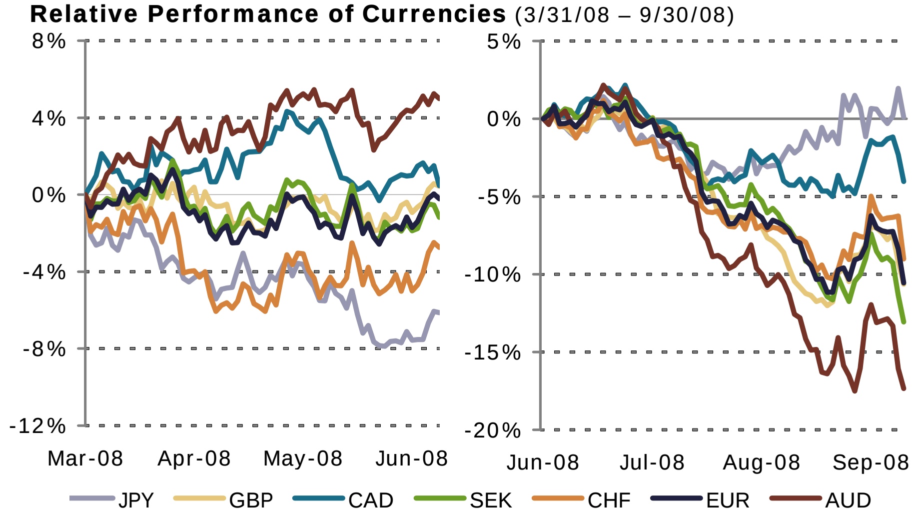
U.S. Dollar in Historical Perspective, rising gold prices are consistent with a weak dollar. Readers that have a strong view on gold, in part, have already formulated their dollar view. As interesting as the gold/dollar chart may appear, we are approaching a period in our nation's electoral cycle that is also instructive with regard to the course of the dollar. Our studies show that long-term changes in the direction of the dollar are often related to changes in presidential administrations. It will be important to watch this election carefully, and to analyze whether or not the next president adopts strong dollar policies, or weak dollar policies.

Period Summary

As the data on the previous page highlights, our strategy lost value as the dollar strengthened during the quarter. While our quarterly performance net of fees was essentially flat to the benchmark, on a year-to-date basis the strategy remains positive vs. the benchmark. While the majority of this excess return net of fees is derived from the interest earned on the high quality sovereign instruments we purchase, a significant portion is the currency alpha we generated on our currency allocation strategy.

As the charts below show, there was a significant change in currency leadership between the second quarter and third quarter: While commodity currencies performed best in the second quarter and safe havens like the Yen and Swiss Franc performed less well – these relationships began to reverse during the third quarter as crisis gripped the markets.

Relative Performance of Currencies (3/31/08 – 9/30/08)



Strategy Review and Outlook

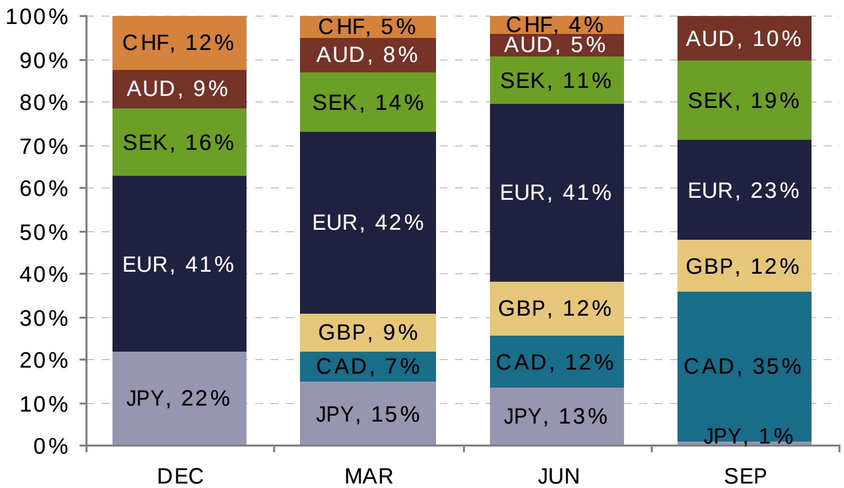
While the markets were consumed with the prospect of widespread financial system failure, we took solace in that fact that the strategy's currency holdings are invested largely in sovereign T-bills and short dated notes issued by entities such as the governments of Canada, Germany, France, and the United Kingdom. During the quarter, as the financial crisis unfolded, it became apparent that the financial centers of the Eurozone would not be immune to the spreading crisis. As investors will recall, the Euro is the largest component of our benchmark and we have generally

Period Highlights

- Dollar rally accelerates
- Safe haven currencies such as Swiss Franc (CHF) and Japanese Yen (JPY) outperform
- Australian Dollar (AUD) underperforms

kept a significant allocation to the Euro in order to assist us to track the benchmark effectively. None the less, operating within the context of a crisis, we decided it prudent to reduce our exposure to the Euro, and consequently increase exposure to other currencies. By the end of the quarter we had reduced our exposure to 23%, the lowest since the inception of the strategy. During the quarter, our benchmark fell -8.79%. Diversifying away from the Euro (which fell -10.56% for the period) was a prudent step, but our increased allocations to the Canadian Dollar, the Australian Dollar, and the Swedish Krona worked imperfectly. While the Canadian dollar, our largest holding by quarter end, held its value very well for the period, the Australian dollar was adversely impacted by concerns about global growth and the end of the Yen carry trade.

Currency Allocation History (12/2007-9/2008)



Major Currencies or Emerging Currencies?

- Emerging Market currencies have mixed performance

While our strategy does not invest in Emerging Currencies, the table below shows the performance of some of the most frequently discussed Emerging Market currencies. It is an update of the table we showed in our last letter.

Emerging Market Currency Performance (12/2007-9/2008)

Chinese Renminbi	6.68%
Mexican Peso	-0.36%
Russian Ruble	-4.07%
Brazilian Real	-6.54%
Thai Baht	-12.08%
Indian Rupee	-16.06%
South Korean Won	-22.49%
Equal-weighted Average	**-7.85%**

As we pointed out in our last letter, there continues to be significant dispersion in performance in these currencies. If an investor purchased an equal weighted basket of these currencies the total return on a pure currency investment would have been -7.85% for the year through

September 30th. The crisis of the past few months has torn to shreds any short-term hope that the emerging world would de-link from the troubles of the developed world; that economic problems would no longer lead to political problems for these countries; or that free market democracies were inevitably marching forward in all of these locations.

- **Currencies provide diversification in market downturn**

Conclusion

While currencies generated disappointing returns for the quarter, on a year-to-date basis they continue to play a stabilizing role within a client's broader asset allocation strategy during the period.

Looking forward, we have positioned the portfolio to benefit from the reflation policies adopted by global central banks. Our allocations to the Canadian dollar and the Australian dollar are intended to benefit from that environment. We reduced our allocation to the Yen at the very end of the quarter. Our decision was influenced by our view that the already weak Japanese economy was ill suited to handle the stresses of the global crisis, but also our concern that volatility in the currency was being driven by the de-levering of the Yen carry trade. In this context, the sudden strength of the Yen was more related to the unwinding of levered currency positions, rather than the strength of the economy itself. We would prefer not to be holding large Yen positions when that unwinding is complete.

Jonathan E. Lewis
Principal

October 30, 2008

For Investor Relations questions, please contact Radiance S. Hill at 212-300-1600, or hill@samsonca.com.

* Pre-tax Equivalent (35%)
Calculated Inverse of USDX®: U.S. Dollar Index® and USDX® 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: Lehman Brothers®, Bloomberg®