

Samson Multicurrency Plus

A New Administration, a New Dollar Policy?

In our last commentary, we observed that long-term changes in the direction of the dollar are often related to changes in presidential administrations. Yet, when a change in administration occurs in the midst of a great economic crisis, the probability of an activist economic policy change rises, and the possibility that the value of the dollar will be affected must increase as well. Just weeks after FDR took office, he took the United States off the Gold Standard as one way to reduce pressure on America's economy. Under the Gold Standard the U.S. dollar was directly backed by U.S. government gold holdings. In a world where the U.S. money supply was related to the supply of the yellow metal, the Gold Standard limited the ability of the Federal Reserve to increase the money supply and reflate the economy out of the crisis.

Near the end of World War II, America's Allies gathered at the Bretton Woods monetary conference in 1944 to create a new economic order that would support global growth once victory against the Axis powers had been secured. They created a system of fixed exchange rates, based on the dollar, which shared certain characteristics with the old Gold Standard. In particular, the dollar was linked to gold, but the other major currencies were linked to the dollar. When U.S. economic policy was healthy, countries were satisfied with a link to the dollar, but by the 1960's the system was under pressure. In the economic crisis of the early 1970's, it became untenable for the United States to maintain a link to gold, and President Nixon announced that the dollar would no longer be convertible to gold. Over time, a free float exchange rate system developed, and volatility - not stability - in currency relationships has been the norm.

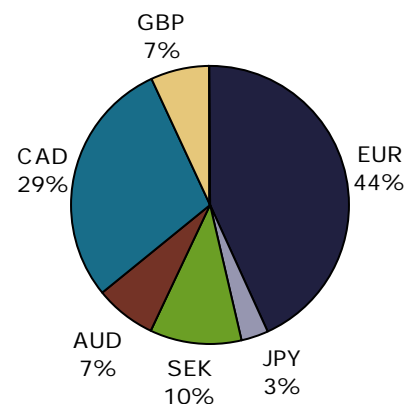
What next? The November Group of 20 Summit Meeting may offer us a road map for a new currency management landscape. The final communiqué issued by the participants highlighted the need for reform in all matters financial. It outlines a series of common principles for the reform of financial markets and an agenda for stabilizing the world's financial foundations. While there is not an explicit agenda to reform or re-engineer the system of free floating exchange rates, certainly a comprehensive effort to stabilize the developed and developing economies of the world will at some point address currency relationships and perhaps even currency reform.

Period Summary

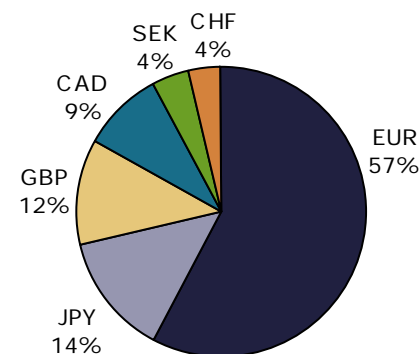
As the data on the top of the page highlight, our strategy lost value in 2008 as the dollar strengthened sharply in the last months of the year.

SMP Currency Exposure

As of 12/31/2008



USD[®] Currency Exposure

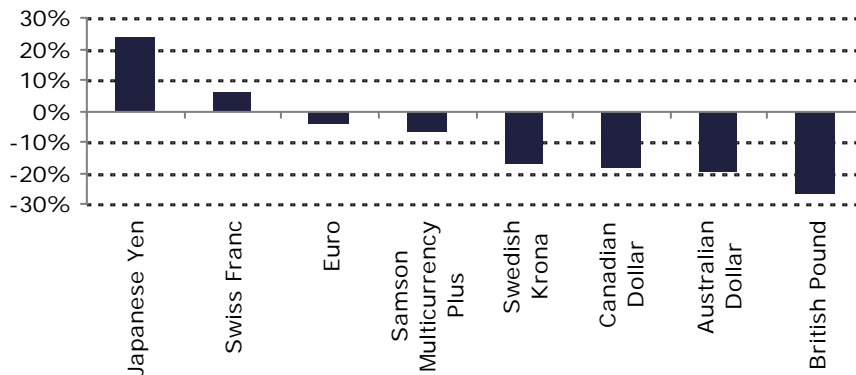


As the chart below shows, the dollar rallied against all major currencies during 2008 except for the Japanese Yen and the Swiss Franc. In our last commentary, we discussed the usual factors (the unwinding of the carry trade in particular) that led to such sharp upward moves in low yielding currencies like the Yen, Swiss Franc, and the U.S. Dollar. We noted that we would stay on the sidelines and not chase the Yen higher. While the fundamental argument behind our decision was sound, the technicals that drove the Yen to new highs against the dollar were very strong. Our decision to remain underweight the Japanese Yen vs. the benchmark was a major factor in our underperformance vs. the benchmark for 2008. The chart on currency returns highlights that most of the currencies in our investable universe performed considerably worse.

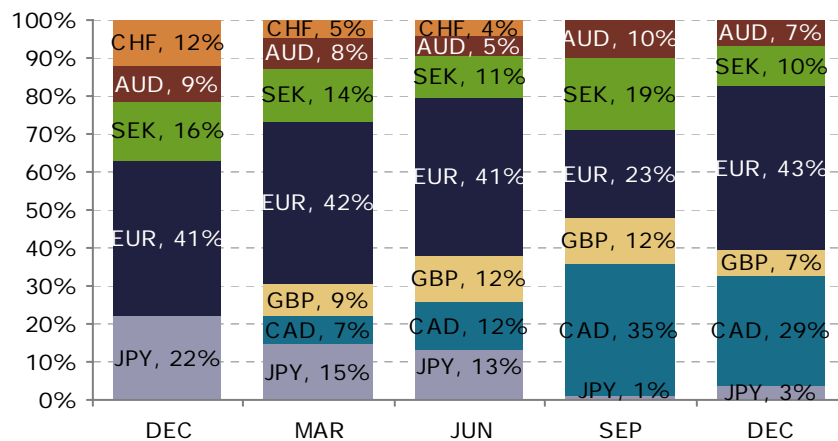
Period Highlights

- Safe haven currencies such as Swiss Franc (CHF) and Japanese Yen (JPY) outperform
- Most currencies in investable universe underperform our strategy

Relative Performance of Currencies (12/31/07 – 12/31/08)



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



Strategy Review and Outlook

As the currency allocation chart highlights, we remain positioned for deflation. Just as we have been utilizing Treasury Inflation Protected Securities in our fixed income strategies, we maintain healthy allocations to commodity currencies like the Canadian dollar. While the strategy's returns

for 2008 are disappointing, in the context of the crisis it still performed better than the returns experienced in many other sectors including equities, commodities, and certain fixed income sectors. Though diversification is beneficial, it no doubt is more satisfying to have a diversification tool that not only outperforms its benchmark, but also goes up in value. We note that the return remains positive since the inception of the strategy, a meaningful achievement when so many sector returns are negative for the same period.

Jonathan E. Lewis
Principal

February 6, 2009

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: Bloomberg®

No representation or assurance is made that Samson Multicurrency Plus Strategy (SMP) will or is likely to achieve its objectives, or will make a profit or will not sustain losses. Any statements regarding future events constitute only subjective views or beliefs, are not guarantees or projections of performance, should not be relied on, are subject to change due to a variety of factors, including fluctuating market conditions, and involve inherent risks and uncertainties, both general and specific, many of which cannot be predicted or quantified and are beyond our control. Future results could differ materially and no assurance is given that these statements are now or will prove to be accurate or complete in any way. Samson does not provide tax, accounting or regulatory advice. ANY TAX STATEMENT CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PERSON, FOR THE PURPOSE OF AVOIDING TAX PENALTIES.

Certain information is based on third-party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed.

- Since inception return for the strategy is positive