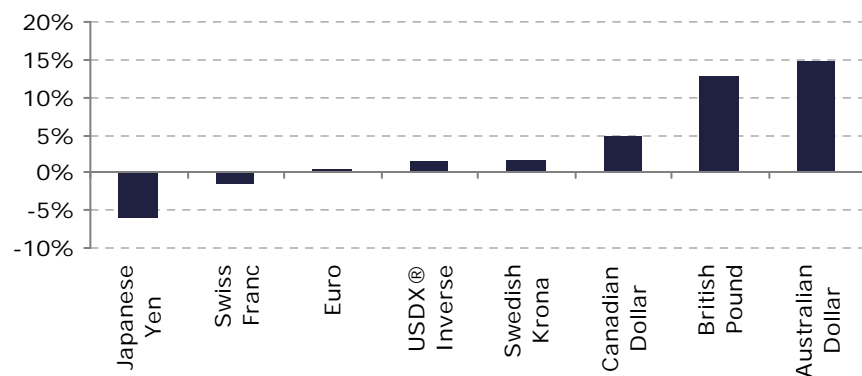


## Samson Multicurrency Plus Strategy

### Executive Summary

In the last months of 2008 we rebalanced portfolios in the Samson Multicurrency Plus strategy to take into account the likely impact of significant stimulus on the world's economies and financial systems. As a result, we entered the year with a modest allocation to safe haven currencies and an increased allocation to reflation beneficiaries such as the Canadian dollar and the Australian dollar. While we made moderate changes to our currency allocation strategy throughout the first six months of the year, our emphasis was largely on growth oriented, reflation beneficiaries. The chart below shows relative currency performance for the first six months of the year, as well as the performance of the benchmark. It shows that growth and commodity oriented currencies did well, and safe haven currencies did not do as well (yen and Swiss franc). At the end of the first quarter, we eliminated the yen and Swiss franc exposure and were overweight the Canadian dollar in the Samson Multicurrency Plus portfolios.

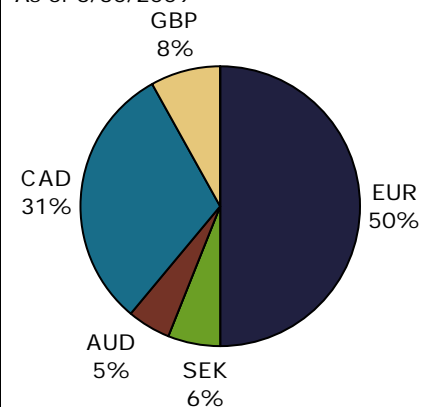
### Relative Performance of Currencies (12/31/08 – 6/30/09)



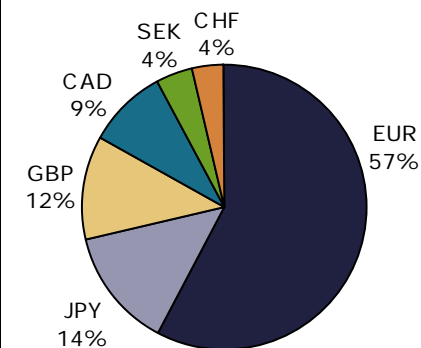
Near the end of the 2nd quarter, warning signs began to appear that economic fundamentals were not keeping up with the market's expectations for recovery. Forward looking market indicators that signaled growth, such as corporate bond spreads, equity market performance, or commodity returns, began to stall or fade. In this context, as we rebalanced our currency strategy at the start of the 3<sup>rd</sup> quarter in line with our new benchmark, the Federal Reserve Major's Index, we moderated our growth tilt by pulling back Canadian exposures relative to the benchmark, and increased our safe haven allocation to yen and Swiss francs closer to neutral for the first time in many months.

### SMP Currency Exposure

As of 6/30/2009

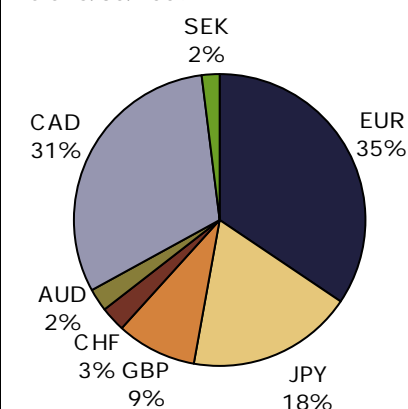


### USDX® Currency Exposure

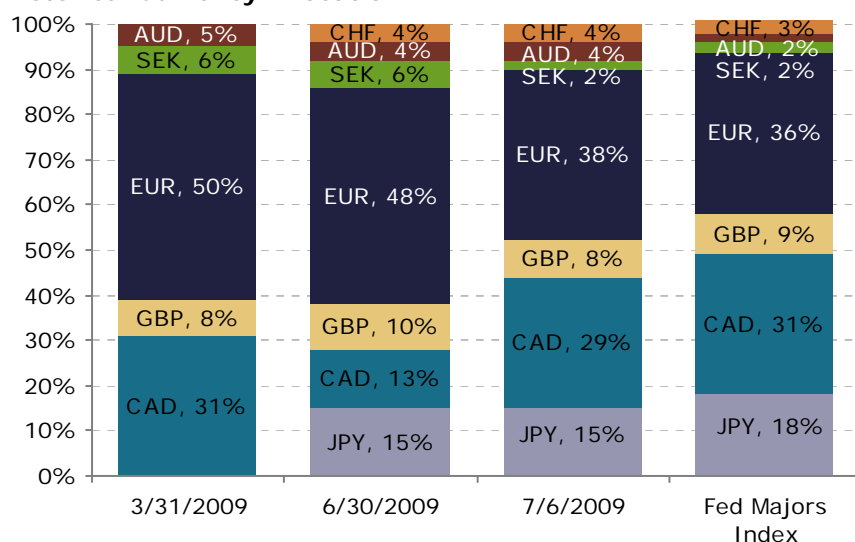


### Federal Reserve Trade Weighted Majors Index Currency Exposure

As of 6/30/2009



## Historical Currency Allocation



## Commentary and Outlook

Who is Zhou Xiaochuan and why should you care? Zhou Xiaochuan is the Governor of the People's Bank of China, the Ben Bernanke of his country. He is powerful and what he has to say about markets and currencies should be of great interest to all investors – particularly as he sits on top of one of the largest central bank reserves in the world. His views and concerns can influence currency markets, stock markets, and bond markets. In short, he can influence your financial well being. He believes that the current international monetary system based on the U.S. dollar as the world's reserve currency is a threat to the world's financial stability. If central banks around the world no longer needed to hold the dollar as the major portion of their foreign exchange reserves, there could be lots of dollars for sale and a long term decline in the value of the dollar.

In a speech on July 3rd in Beijing, Zhou Xiachuan made the following points that help to clarify the source of his concerns:

- The financial crisis originated on Wall Street.
- Failures at credit ratings agencies, lax lending standards, and poor corporate governance were all major contributors to the crisis.
- “Frivolous development of derivative products” combined with “chaos” in the asset securitization business were important forces driving the crisis as well

In other words, the U.S. is not a well managed financial system. This is not a desirable attribute for a world reserve currency.

While many investors by this point in time may share Zhou's views, none have his power. His views mean he is not happy about continuing to hold U.S. dollars for the long term.

What does Zhou intend to do about this unhappy situation? In recent weeks, Zhou along with the leaders of other countries that hold major U.S. dollar reserves at their central banks, have called for a re-ordering of the world monetary system. Zhou, along with financial and political leaders

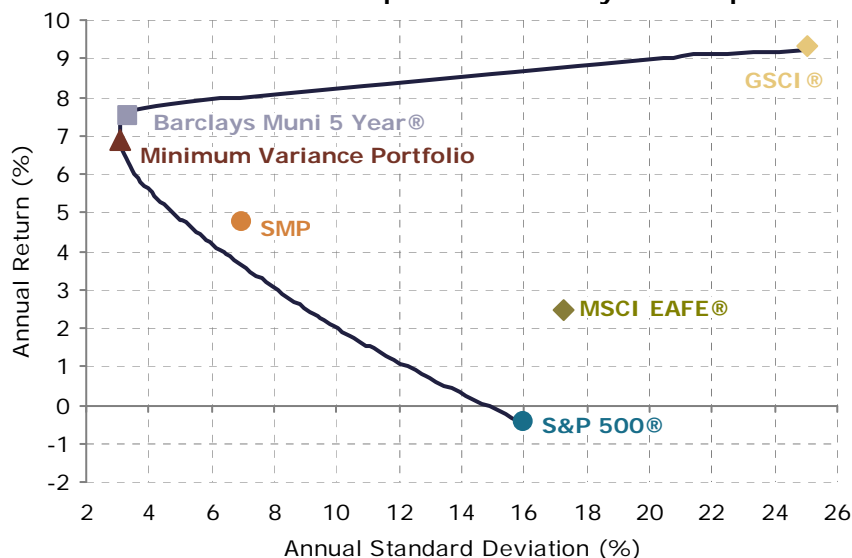
The Federal Reserve Trade Weighted Major Currency Index is a weighted average of the foreign exchange values of the U.S. dollar against a subset of currencies in the broad index that circulate widely outside the country of issue. The weights are derived from those in the broad index. The broad index 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 USDIX® are trademarks and service marks of the New York Board of Trade®.

from nations like Russia and India, has begun to work on a coordinated campaign to replace the dollar as the world's reserve currency. On July 10th, Russian President Dimitry Medvedev went so far as to bring props to the G-8 summit to make his point. Holding up a new coin he had specially minted for the occasion, he showed off his model for the new world super reserve currency. If there was ever an advertisement for diversifying away from the dollar, this was it.

Though the long-term threat to the US dollar is readily identifiable, developing strategies to benefit from that view is more challenging. As the current crisis has demonstrated, it is indeed possible for a currency with as many problems as the dollar to stage strong rallies. In that context, timing the currency markets can very problematic. As a result we continue to advocate that shareholders view their currency holdings as a long-term asset allocation building block. We have recently updated our asset allocation studies to include recent events and our new benchmark the Fed Majors Index. As the chart and data below show, a 5% allocation would be a strategic normal for investors whose only perspective is the benefits of diversification.

**Efficient Frontier: Pre-tax Equivalent January 1999- April 2009\***



\*Based on mean variance optimization

For investors who have a strategic outlook for the dollar, we would recommend that when they are bearish on the dollar they increase their foreign currency exposure above this 5% level. None the less, identifying exit and entry points is exceedingly difficult and we would caution investors to take the longer view, rather than to try and play the volatility. Our strategy continues to be managed to provide investors with a vehicle to express that long view in a manner that emphasizes liquidity and conservatism through our longer term outlook.

Jonathan E. Lewis  
Principal  
July 17, 2009

**SMP** – Samson Multicurrency Plus Strategy

**Barclays Muni 5 Year** - The Barclays Capital Municipal Bond Index®: 5 Year is a sub-index of the Barclays Capital Municipal Bond Index and serves as a rules-based, market-weighted benchmark representation for the intermediate to long-term U.S. tax-exempt fixed income universe. The investment-grade fixed income components include general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. The Barclays Capital Municipal Bond Index®: 5 Year is a trademark and service mark of Barclays Capital Inc. and/or its affiliates, their respective owners.

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The inclusion of these indices herein does not indicate that they or their affiliates are connected with or express any opinion concerning the Samson Multicurrency Plus strategy.

For questions, please contact Radiance S. Chapman at 212-300-1600, or [chapman@samsonca.com](mailto:chapman@samsonca.com).

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