

# ASCALON H3 COMMODITIES FUND REPORT

October 2009

## MONTHLY COMMENTARY

The Ascalon H3 Commodities Fund (ANCOMM) posted a return of +1.56% versus +3.28% for the Index. On a 12 month basis, the Fund has returned +8.00% versus the Index return of +0.10%, and since inception has returned -2.51% versus -30.46% on the Index.

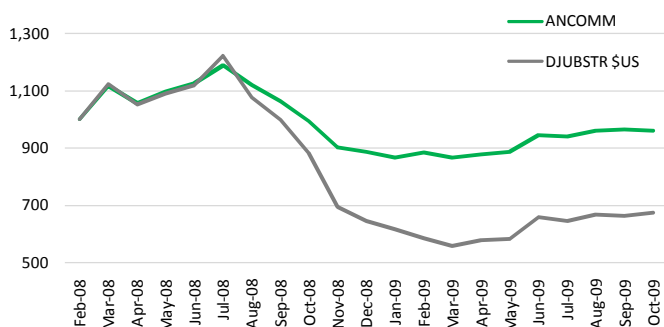
The agriculture sector performance continues to be highly driven by weather conditions and forecasts. Corn and soybeans jumped (+6.40% and +5.50%) during the month based on fears that harvests will come in late due to excess moisture and depleting inventories. Lean hogs advanced (+13.23%) while live cattle declined (-4.61%) as weaker demand and overproduction suppressed prices. Cotton rallied (+10.27%) on expectations that production will fall from a declining crop in China, the world's biggest producer. Sugar continued to decline (-8.13%) as previous month's supply constraints continued to be alleviated. Gold held strong (+3.21%) and reached a record high of \$1,072/oz as the greenback weakened and as central banks showed increased interest in boosting their gold holdings. The energy sector was strong across the board, with crude oil up (+9.05%) as demand recovered after manufacturing and exports in China, the world's second biggest oil user, expanded during the month. Positive data out of China drove most base metals higher, with Zinc up (+9.66%) for the month. Average and end-of-month exposure was once again set at fairly conservative levels while global economic indicators remain mixed.

## PERFORMANCE (AFTER FEES)

	1 MTH	3 MTH	6 MTH	1 YR	INC
ANCOMM	1.56%	1.51%	9.98%	8.00%	-2.51%
DJUBSTR US\$	3.28%	4.29%	19.35%	0.10%	-30.46%

*"...Cotton rallied on expectations that production will fall from a declining crop in China...Gold held strong and reached a record high of \$1,072/oz as the greenback weakened...Positive data out of China drove most base metals higher..."*

## VAMI AUD\$1000



## KEY MARKETS

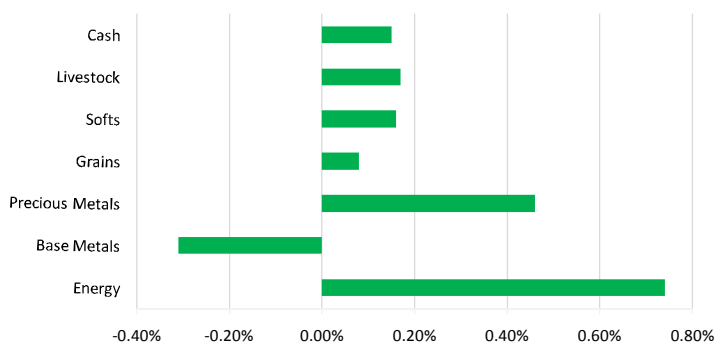
### WINNERS

Zinc  
Heating Oil  
Crude Oil

### LOSERS

Lead  
Sugar  
Nickel

## UNDERLYING FUND P&L ATTRIBUTION



## UNDERLYING FUND AVERAGE EXPOSURE

Sector	H3GCF	DJUBSTR	Over/Under
Energy	15.68	33.14%	-17.46%
Base Metals	17.35	25.32%	-7.97%
Precious Metals	11.97%	11.29%	0.68%
Grains	9.02%	14.90%	-5.88%
Softs	11.09%	10.28%	0.81%
Livestock	1.13%	5.07%	-3.94%
Cash	33.75%	0.00%	33.75%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>

## INVESTMENT STRATEGY OVERVIEW

The objective of the Fund is to provide investors with an actively managed commodities portfolio that seeks to generate returns that are equal or superior to that of major global commodity indices with the same or lower volatility, after fees and expenses, over a medium to long-term time horizon. In order to achieve the investment objective outlined above, the Fund utilizes quantitative trading models that have been successfully traded by the Investment Manager on global markets since 1996. A risk management overlay is used over the whole portfolio in order to minimise volatility and drawdowns.

## FUND INFORMATION

<b>Managed by</b>	H3 Global Advisors Pty Ltd	<b>Fund Fees</b>	
<b>Start Date</b>	31st January 2008	<b>Management Fee (incl. GST)</b>	0.75% p.a. (taken from the underlying fund)
<b>Fund size (as at 31 October 2009)</b>	\$5,441,131.81	<b>Est. Expense Recoveries</b>	0.10% p.a.
<b>Investment Minimums</b>		<b>Other Fees</b>	0.62% p.a.
<b>Initial Investment</b>	\$50,000.00	<b>Performance Fee</b>	15% p.a. of benchmark outperformance (taken from underlying fund)
<b>Additional Investment</b>	\$10,000.00	<b>Transaction Costs</b>	+/- 0.10% p.a.
<b>Withdrawal</b>	\$10,000.00		

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**Ascalon**  
Capital Managers