

# ASCALON H3 COMMODITIES FUND REPORT

January 2010

## MONTHLY COMMENTARY

The Ascalon H3 Global Commodities Fund (ANCOMM) posted a return of -5.35% versus -7.28% for the DJUBS Total Return Index. On a 12 month basis, the Fund has returned +7.13% versus the Index return of +16.51%, and since inception has returned -5.24% versus -31.93% on the Index. Commodities declined across the board in January as investors became increasingly pessimistic about the global economic recovery. Reflecting the negative sentiment in the market, money was shifted away from perceived higher risk investments to safer assets such as the dollar and bonds. Furthermore, the USD appreciation harmed the value of commodities making them less attractive to foreign investors.

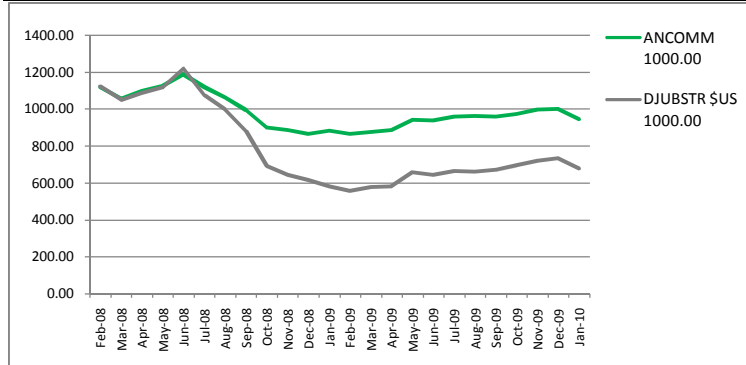
The only contributor to profit this month was sugar (+10.95%) as tight supply drove the price to the highest level in almost three decades. All grains traded lower on signs of oversupply in the market, as research showed Argentina and Brazil will show greater than expected production results as the harvesting season commences (Com -13.99%, Soybeans -12.09%, Wheat -12.47%). Industrial metals declined sharply, with Zinc prices dropping due to accumulating stock piles (-17.55%) and lead demand underpinned by severe winter weather in the northern hemisphere (-16.67%). Copper prices fell (-8.46%) as the fiscal health of some European countries continued to plague the market. Heating Oil detracted from profits (-10.49%), and most other energy commodities were down for the month (Crude Oil -8.15%, Brent Crude -8.30%). The Funds end-of-month exposure was set at 21.57% on the back of a lack of evidence of sector demand for commodities outside of general restocking and inventory rebuilding.

## PERFORMANCE (AFTER FEES)

	1 MTH	3 MTH	6 MTH	1 YR	INC
ANCOMM	-5.35%	-2.81%	-1.35%	7.13%	-5.24%
DJUBSTR US\$	-7.28%	-2.12%	2.09%	16.51%	-31.93%

*"...The only contributor to profit this month was sugar as tight supply drove the price to the highest level in almost three decades...most other energy commodities were down for the month."*

## VAMI AUD\$1000



## KEY MARKETS

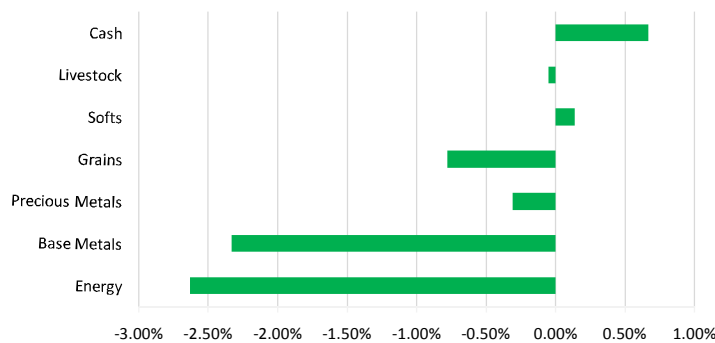
### WINNERS

Sugar

### LOSERS

Lead  
Copper  
Heating Oil

## UNDERLYING FUND P&L ATTRIBUTION



## UNDERLYING FUND AVERAGE EXPOSURE

Sector	H3GCF	DJUBSTR	Over/Under
Energy	25.02%	32.18%	-7.16%
Base Metals	25.94%	18.53%	7.41%
Precious Metals	4.33%	12.84%	-8.51%
Grains	5.34%	21.86%	-16.52%
Softs	13.53%	8.13%	5.40%
Livestock	4.12%	6.46%	-2.34%
Cash	21.73%	0.00%	21.73%
<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 January 2010)</b>	\$11,704,829.63	<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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Capital Managers