Theta Multistar Low Volatility

Monthly Commentary — *October 2008*

The Theta Multistar Low Volatility Fund lost 8.2% in October, bringing the YTD return to -14.9%. In reference the HFRI Conservative Fund of Funds Index lost 6.0% (-13.5% YTD), the MSCI World lost 17.9% (-37.4% YTD) and the JP Morgan Government Bond index gained 9.3% (16.1% YTD). All figures are presented hedged into Euros.

October was a bad month for nearly all low volatility strategies as they got hit by the extreme turmoil in the world's financial markets which was even worse than September. Equity markets fell sharply and credit markets seized up completely which led to drastic government intervention in order to try and get the market moving again. Although these combined actions seem to have alleviated some of the pressures, it is clear the impact of the credit crisis on the real economy is only now starting to become apparent and will continue to work through for a considerable amount of time.

October was an especially difficult month for the more traditional low volatility strategies. Typical low volatility strategies such as convertible arbitrage, merger arbitrage, corporate loan investments and even sovereign debt yield curve arbitrage incurred considerable losses. For example, the HFR Convertible Arbitrage index was down 34% in October bringing the year-to-date loss for that strategy close to 50%. As we detailed in our previous monthly, although this crisis is considerably worse than 1998, the returns that can be generated once the indiscriminate sell-off is over (and we do not need a major (equity) market recovery) can be substantial.

Unsurprisingly, there were few positive contributors during the month. The biggest contributor during the month was our high volume systematic trading fund which benefited from the significant volatility in the market. Although the fund has reduced its risk levels to reflect the increase in volatility in the overall market, the fund was up nicely as it benefited from some of the extreme moves. Other positive contributors during the month were the two asset-based lending funds as well as two of our global macro managers.

The largest detractor during October was one of our distressed managers who got hit on several of his Emerging Market credit exposures. The sell-off in some of his holdings was extreme, and had (or has) little to do with fundamentals. As an example, the fund holds debt of Telecom Argentina which got marked down from 90% at the beginning of October to 69% at the end of October. This company will be debt-free (through internally generated cash flows) within twelve months and the company purchased 7% of its outstanding debt during October, though this did not arrest the plunge in market pricing. This is a solid company who has no need for refinancing in the short term and offers an extremely attractive yield (37% yield to maturity..) but still the bonds got sold down even further. There are no rational ways to explain this move. We have given a bit more detailed description of one position in one of the funds to try and give an idea of some of the distress seen during October as these kind of examples were seen throughout our portfolio. However, in the end, cash is cash and these anomalies should correct themselves and returns from these levels could be sizeable.

Performance*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-0.22%	2.01%	-1.29%	-0.28%	0.55%	-0.24%	-2.06%	-2.02%	-3.83%	-8.20%			**-14.86%**
2007	0.59%	0.02%	0.88%	1.47%	0.64%	0.32%	0.85%	-1.80%	-0.10%	1.35%	-0.32%	-0.05%	**3.87%**
2006	1.69%	0.62%	1.29%	1.07%	-0.64%	-0.05%	0.50%	-0.24%	0.84%	0.73%	0.95%	1.66%	**8.72%**
2005	0.51%	1.22%	-0.30%	-0.94%	-1.02%	0.41%	0.95%	0.62%	1.19%	-0.95%	0.27%	0.77%	**2.71%**
2004	0.96%	1.21%	0.45%	0.46%	-0.52%	0.27%	0.34%	0.24%	0.58%	0.47%	1.85%	1.16%	**7.71%**
2003	1.32%	0.91%	0.53%	1.32%	1.08%	0.46%	0.05%	0.18%	1.24%	0.65%	0.91%	0.47%	**9.50%**

Return table*	Theta Multistar Low Volatility	HFRI Conservative Fund of Funds	MSCI World	JP Morgan Government Bonds	1 Month Euribor
Net Asset Value as of November 2008	**€ 910.71**				
YTD	-14.86%	-13.53%	-37.38%	16.11%	3.77%
2007	3.87%	6.50%	2.32%	-0.06%	4.20%
2006	8.72%	6.92%	12.22%	-5.24%	3.04%
2005	2.71%	3.80%	12.89%	7.71%	2.18%
2004	7.71%	6.39%	9.62%	2.17%	2.10%
2003	9.50%	10.22%	23.46%	-4.73%	2.35%
Annualized Compounded Return	2.65%	3.15%	1.62%	2.47%	3.02%
Sharpe Ratio	-0.05	0.05	-0.03	-0.05	-
% Positive Months	71.43%	70.00%	61.43%	48.57%	100.00%
Correlation (Theta Multistar with ...)	1.00	0.90	0.68	-0.71	-0.38
Beta (Theta Multistar with ...)	1.00	0.95	0.26	-0.55	
Alpha (Theta Multistar over ...)		-0.47%			

Risk table*	Theta Multistar Low Volatility	HFRI Conservative Fund of Funds	MSCI World	JP Morgan Government Bonds	1 Month Euribor
Annualized standard deviation (%)	4.93%	4.70%	13.46%	6.36%	0.28%
Maximum Drawdown (%)	-16.35%	-14.12%	-40.69%	-8.47%	NA%
Average Gain Positive Months (%)	0.82%	0.89%	2.36%	1.59%	0.25%
Average Loss Negative Months (%)	-1.27%	-1.19%	-3.31%	-1.08%	NA%

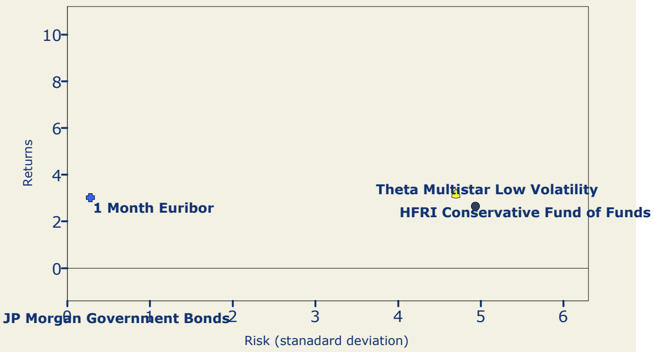
* From January 2003 to December 2003 peformance of low volatility Theta client portfolios; thereafter Theta Multistar Low Volatility. All figures are net of all fees. All indices hedged to EUR. Past results are not necessarily a guide to future preformance. For this product, a "Financiële Bijsluiter" has been prepared, which is available upon request. Theta Multistar Fund is regulated by Autoriteit Financiële Markten.

Theta Capital Management B.V. Johannes Vermeerstraat 9 1071 DK Amsterdam The Netherlands T: +31(0)205722733 I: www.thetacapital.com E: info@thetacapital.com

Theta Multistar Low Volatility

Portfolio Analysis *October 2008*

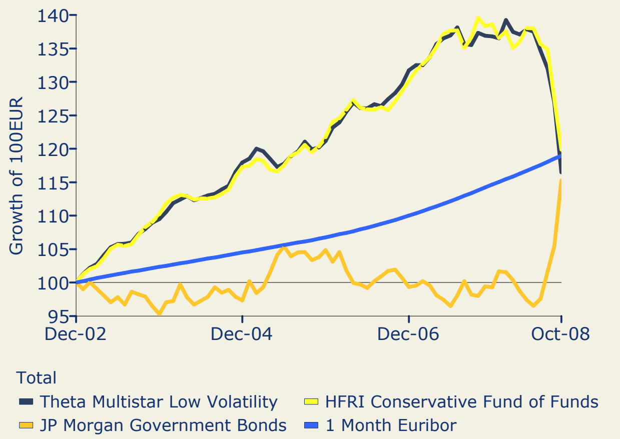
Risk/ reward profile: Jan 2002 to Oct 2008



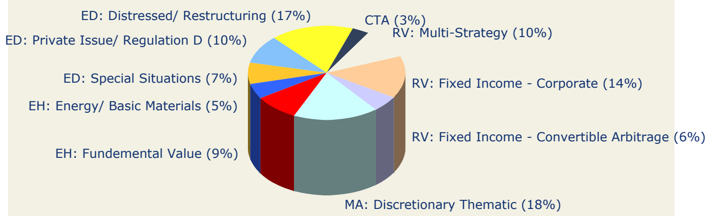
Information

Subscription	Monthly
Redemption	Monthly
Redemption Notice	40 days notice
Managment Fee	1.25%
Incentive Fee	10%
Hurdle Rate	Euribor (3 months)
Lockup	No
High Water Mark	Yes
Custodian	KDTC Trust
Auditor	Ernst & Young
Reporting Freqeuncy	Monthly
Currency	Euro
Inception	Jan-04
Bloomberg Ticker	THLWVOL NA

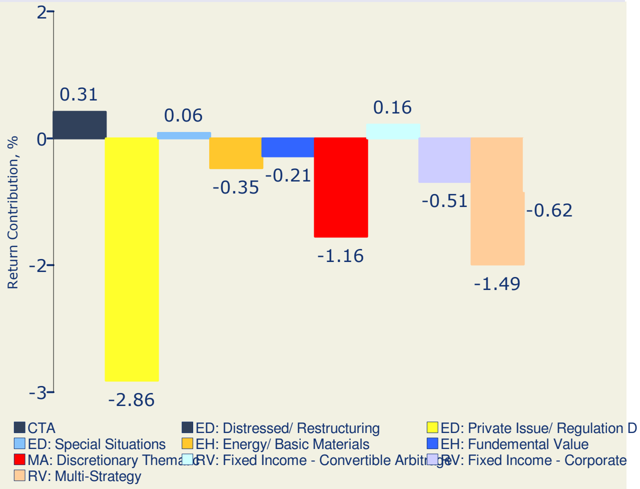
Cumulative return: Jan 2002 to Oct 2008



Strategy allocation Oct 2008



Attribution gross performance by strategy Oct 2008



Fund versus indices

Fund versus indices	Jan-03 - Oct-08
Capture Ratio when MSCI up	25.82%
Average Return when MSCI up	0.64%
Capture Ratio when MSCI down	14.50%
Average Return when MSCI down	-0.46%
Capture Ratio when JPM Bond Index up	-14.37%
Average Return when JPM Bond Index up	-0.24%
Capture Ratio when JPM Bond Index down	-62.79%
Average Return when JPM Bond Index down	0.65%
Capture Ratio when HFRI Index up	60.22%
Average Return when HFRI Index up	0.73%
Capture Ratio when HFRI Index down	58.42%
Average Return when HFRI Index down	-1.06%

The Capture Ratio calculates the portion of market performance that was captured by the Fund under up and down markets. A positive upmarket capture and a negative downmarket capture indicate absolute returns versus the benchmark.

Theta Capital Management B.V. Johannes Vermeerstraat 9 1071 DK Amsterdam The Netherlands T: +31(0)205722733 I: www.thetacapital.com E: info@thetacapital.com