

Theta Multistar Medium Volatility

Monthly Commentary

December 2008

The Theta Multistar Medium Volatility Fund lost 0.6% in December, bringing the YTD return to -24.7%. In reference the HFRI Fund of Funds Index lost 0.7% (-19.3% YTD) and the MSCI World gained 0.9% (-40.7% YTD). All figures are presented hedged into Euros.

December was uneventful relative to the remainder of 2008 and was used by managers to position themselves for 2009. Although hedge funds as an asset class significantly outperformed the world's equity markets, its promise of absolute return did not materialize for the year 2008. One could argue this is understandable given the extraordinary events of 2008 and given the regulation directed against the hedge fund industry. However, it is now also time to recoup losses and generate significant profits for its investors. Whilst the opportunity set for hedge funds has improved significantly, the assets under management of the industry have almost halved to just over US\$1trn which bodes well for returns going forward as less money will be chasing a larger set of outstanding opportunities.

The largest contributor for December was one of our long/short equity managers. For this manager, 2008 was a disappointing year in which the fund lost around 30% for the year as its core strategy of picking high quality companies at attractive valuations did not work. This is a fund with a 13-year track record with only two negative years, 2008 and 2000.

However, in 2000 the fund lost only a couple of percent. After periods of low returns, the manager has always recovered strongly and over the entire 13 year period (including 2008) the fund has generated average annual returns of more than 27%. This manager focuses on companies where valuations are supported by cash flow, asset values or yield. Despite the fact that in the long term the manager sees the best returns available in equity markets he expects considerable gains in the short term in the corporate credit market. As asset allocators in general seek a higher yield than is available on government debt where yields are unattractively low right now, they will seek out high quality companies in industries they understand and where they feel comfortable holding the bonds. With current yields to maturity of 12-16%, the manager believes he can make well over 50% on buying these bonds in the medium term on an unlevered basis.

Our largest detractors were the managers with corporate bond exposure, mainly in emerging markets. To reduce their own exposure, counterparties aggressively marked down securities in these markets such that the hedge funds holding them had to reduce leverage to zero and fully fund these positions. We have seen several examples of such behavior while the credit experienced no fundamental deterioration. Especially in the case of securities with relatively short remaining maturities we believe these positions hold extraordinary value that should return over the short to medium term.

Performance*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-1.77%	-1.30%	-3.74%	-0.60%	1.30%	1.59%	-3.56%	-2.31%	-4.63%	-9.73%	-2.20%	-0.58%	-24.71%
2007	0.85%	2.21%	1.30%	0.41%	1.94%	2.32%	2.90%	-2.99%	-0.51%	3.03%	-2.80%	0.15%	8.93%
2006	4.42%	0.72%	0.86%	2.03%	-2.14%	-0.66%	-0.28%	0.86%	-0.95%	0.94%	1.20%	2.33%	9.58%
2005	1.63%	3.24%	-0.88%	-1.72%	0.64%	0.90%	2.38%	1.71%	2.96%	-2.59%	1.28%	1.80%	11.76%
2004	1.45%	1.46%	-0.40%	-1.57%	-1.32%	0.19%	-0.46%	-0.32%	1.27%	1.11%	3.29%	2.01%	6.80%
2003	0.96%	0.18%	-0.63%	1.35%	2.11%	0.75%	0.69%	1.17%	1.05%	1.90%	0.56%	2.02%	12.77%
2002	1.98%	0.67%	1.17%	1.74%	1.02%	-0.12%	-1.57%	0.95%	0.03%	-0.83%	1.15%	1.33%	7.71%

Return table*	Theta Multistar Medium Volatility	HFRI Fund of Funds	MSCI World	JP Morgan Government Bonds
Net Asset Value as of January 2009	€ 1,057.44			
YTD	-24.71%	-19.31%	-40.73%	17.80%
2007	8.93%	9.07%	2.32%	-0.06%
2006	9.58%	8.08%	12.22%	-5.24%
2005	11.76%	6.12%	12.89%	7.71%
2004	6.80%	7.44%	9.62%	2.17%
2003	12.77%	12.86%	23.46%	-4.73%
Annualized Compounded Return	3.85%	3.30%	-3.29%	2.45%
Sharpe Ratio	0.14	0.07	-0.36	-
% Positive Months	65.48%	67.86%	57.14%	48.81%
Correlation (Theta Multistar with ...)	1.00	0.87	0.58	-0.54
Beta (Theta Multistar with ...)	1.00	1.10	0.29	-0.62
Alpha (Theta Multistar over ...)		0.59%		

Risk table*	Theta Multistar Medium Volatility	HFRI Fund of Funds	MSCI World	JP Morgan Government Bonds
Annualized standard deviation (%)	7.15%	5.65%	14.69%	6.20%
Maximum Drawdown (%)	-27.12%	-20.22%	-44.35%	-8.47%
Average Gain Positive Months (%)	1.48%	1.14%	2.48%	1.56%
Average Loss Negative Months (%)	-1.85%	-1.53%	-3.84%	-1.07%

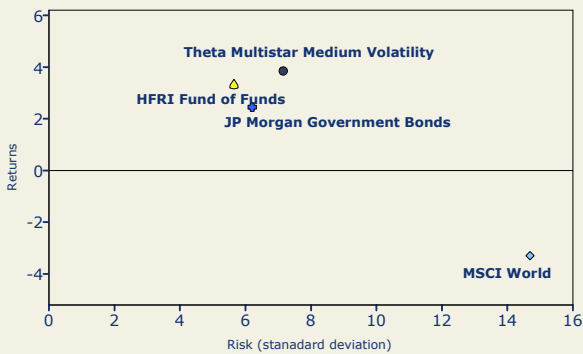
* From January 2003 to January 2004 performance of medium volatility Theta client portfolios; thereafter Theta Multistar Medium Volatility Fund. All figures are net of all fees. All indices hedged to EUR. Past results are not necessarily a guide to future performance. For this product, a "Financiële Bijsluiter" has been prepared, which is available upon request. Theta Multistar Fund is regulated by Autoriteit Financiële Markten.

Theta Multistar Medium Volatility

Portfolio Analysis

December 2008

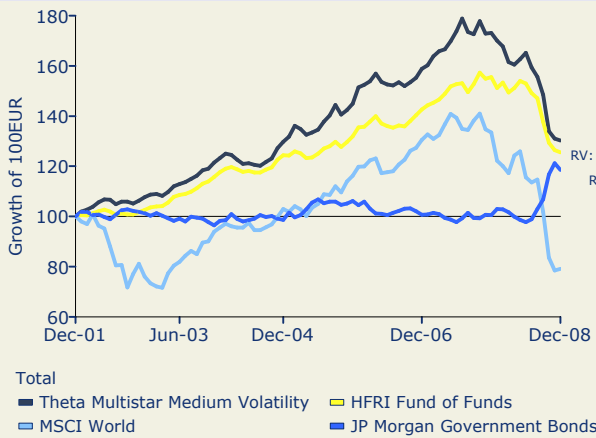
Risk/ reward profile: Jan 2002 to Dec 2008



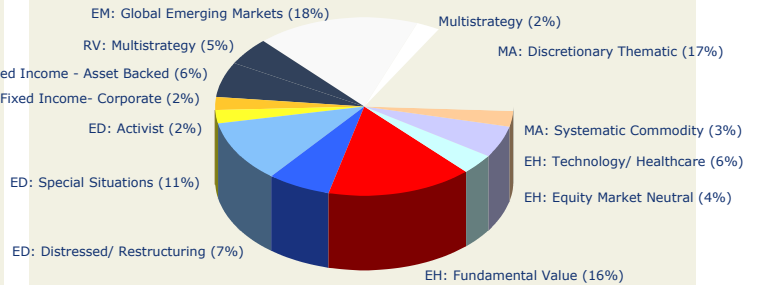
Information

Subscription	Monthly
Redemption	Monthly
Redemption Notice	40 days notice
Management Fee	1.25%
Incentive Fee	10%
Hurdle Rate	Euribor (3m) + 2.0%
Lockup	No
High Water Mark	Yes
Custodian	KDTC Trust
Auditor	Ernst & Young
Reporting Frequency	Monthly
Currency	Euro
Inception	Jan-04
Bloomberg Ticker	THMDVOL NA

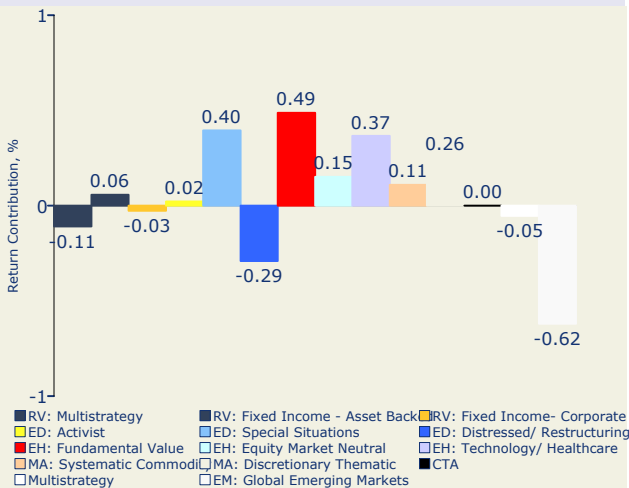
Cumulative return: Jan 2002 to Dec 2008



Strategy allocation Dec 2008



Attribution gross performance by strategy Dec 2008



Fund versus indices

	Jan-02 - Dec-08
Capture Ratio when MSCI up	42.51%
Average return when MSCI up	1.10%
Capture Ratio When MSCI down	19.90%
Average Return when MSCI down	-0.72%
Capture Ratio when JPM Bond Index up	-9.91%
Average Return when JPM Bond Index up	-0.16%
Capture Ratio when JPM Bond Index down	-75.49%
Average Return when JPM Bond Index down	0.77%
Capture Ratio when HFRI Index up	113.90%
Average Return when HFRI Index up	1.29%
Capture Ratio when HFRI Index down	111.07%
Average Return when HFRI Index down	-1.71%

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.