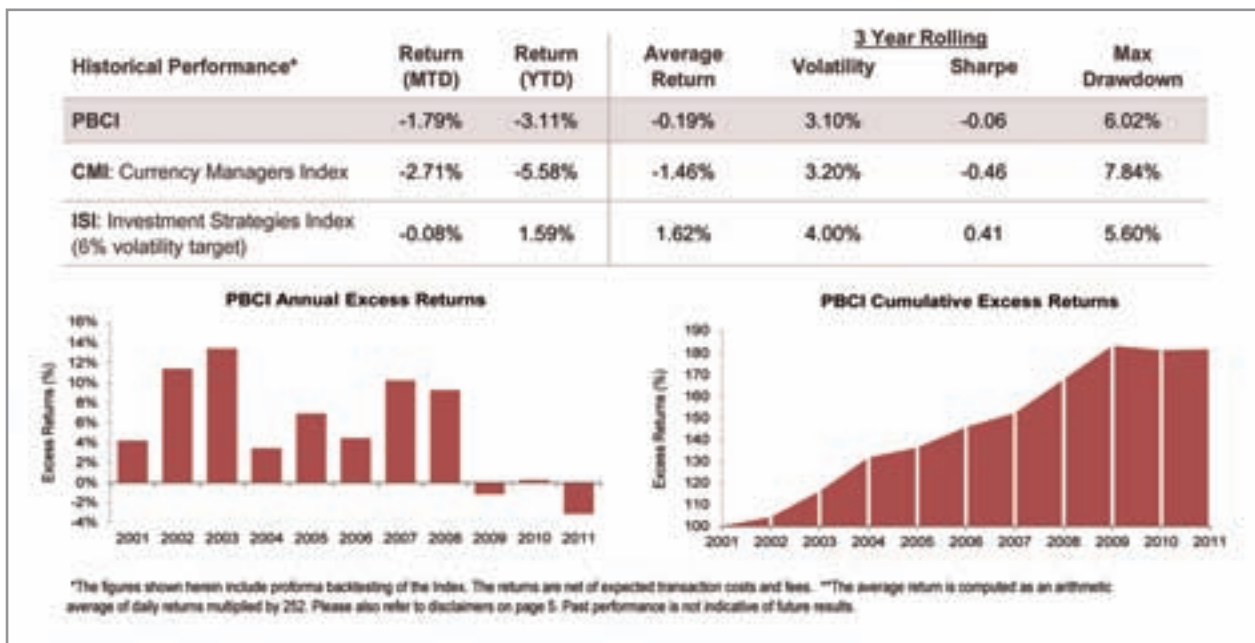




# August 2011 -

## The Parker Blacktree Currency Index (PBCI)

The PBCI is modular by construction and is comprised of two sub-indices: the Currency Managers Index (CMI) and the Investment Strategies Index (ISI). The CMI Index measures the alpha generated by active currency managers. The ISI Index is a portfolio of thematic rules-based trading strategies that decompose the market into tradable themes. The CMI and ISI are equally weighted to create diversified exposure across the range of investment opportunities.



### CMI

The CMI is a comprehensive multi-manager based index comprised of 3 sub-indices: Macro Discretionary, Model-Driven, Diversified. PGS has developed a proprietary style mapping system, FX Style Trax™ and mapped over 80 currency programs into 10 unique style buckets. PGS has selected “best of breed” currency managers and programs to represent each of the sub-indices.

- **Macro Discretionary** sub-index includes short term and multi-week discretionary and emerging markets managers.
- **Model-Driven** sub-index includes short term and multi-week managers that trade on a systematic approach applying price and/or fundamental inputs.
- **Diversified** sub-index includes managers whose programs span across macro discretionary and model-driven disciplines.

### ISI

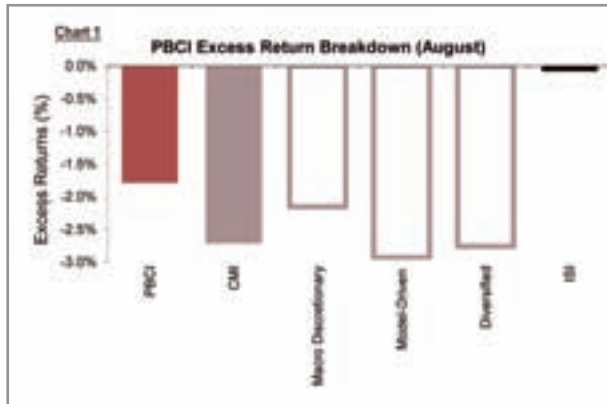
The ISI is a diversified and robust index of rules-based investment strategies comprised of 3 sub-indices: Macro Pressures, Risk Perception and Market Dynamics. Each sub-index measures the performance of a distinct set of currency market drivers that Blacktree has identified as being critical factors in capturing returns from currency markets.

- **Macro Pressures** sub-index is a portfolio of fundamental strategies that combine economic valuation methodology with currency expectations derived from equities, commodity and interest rates markets.
- **Risk Perception** sub-index is a portfolio of carry-based strategies that dynamically trade risk aversion and collect managed risk premium.
- **Market Dynamics** sub-index is a portfolio of technical strategies that focus on price action within currency markets.

Headline news continued to disrupt the financial markets, with currency managers struggling to navigate the debt crisis in Europe and the US.



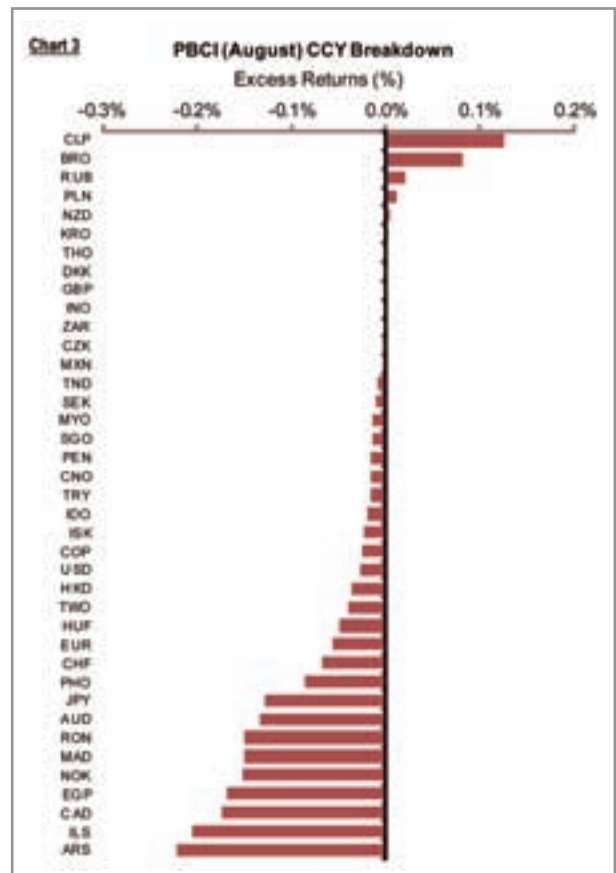
The CMI portion of the PBCI was down -271 bps, with all three style drivers negative for the month.



The **Model-Driven** programs as a group detracted 293 bps to performance, with setbacks across all model-driven styles. Turnarounds in the euro and Swiss franc appeared to cause the most damage to these managers' programs. The **Macro-Discretionary** group was down by -215 bps, where the shorter-term manager in this camp finished roughly flat while others suffered their worst months since the start of the year.



Top Performers	Aug Return	Return (YTD)	Type
Manager 1	3.05%	-5.71%	Diversified
Manager 2	-0.15%	-0.52%	Model Driven
Manager 3	-0.23%	-1.72%	Macro/Discretionary



Two of these discretionary programs found themselves positioned on the wrong side of the Australian dollar early in the month. Although the Diversified managers ended -264 bps lower in the aggregate, the best performing manager came from this group, profiting largely on moves in the Norwegian krone and Swiss franc. Unfortunately, one of the poorest performers was also in this group.

The **ISI** lost 8 bps in August in a challenging market environment. Swings in risk perception were sharp and event-driven (resolution of the US debt ceiling crisis followed by the US debt downgrade). Central bank interventions further complicated markets, both in safe havens (e.g. CHF, JPY) and emerging currencies (e.g. BRL).