



Technical Market Update & Outlook

April 2009

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Table of Contents

- I. Economic Outlook
- II. Credit Conditions
- III. Market Data & Performance
- IV. Investment Themes

Economic Outlook

Jobless Claims and Consumer Confidence

- Initial Jobless Claims (white) are negatively correlated with consumer confidence (orange).
- In February 2009, consumer confidence fell to an all time low of 25.30 compared to the average of approximately 100 since 1990.
- Jobless claims the last week of March hit 669,000, and unemployment rose to 8.5%.
- Lagging economic indicators are now confirming a recession.



Source: Bloomberg

The Gold Rush

Safe havens for investors have seen demand increase

- The price of gold has increased 27.05% since the end of October.
- After hitting almost \$1000/ounce, gold has retreated in March.
- We expect gold to remain at elevated levels due to concerns about inflation and stability of financial markets.



Source: Bloomberg

Oil Prices

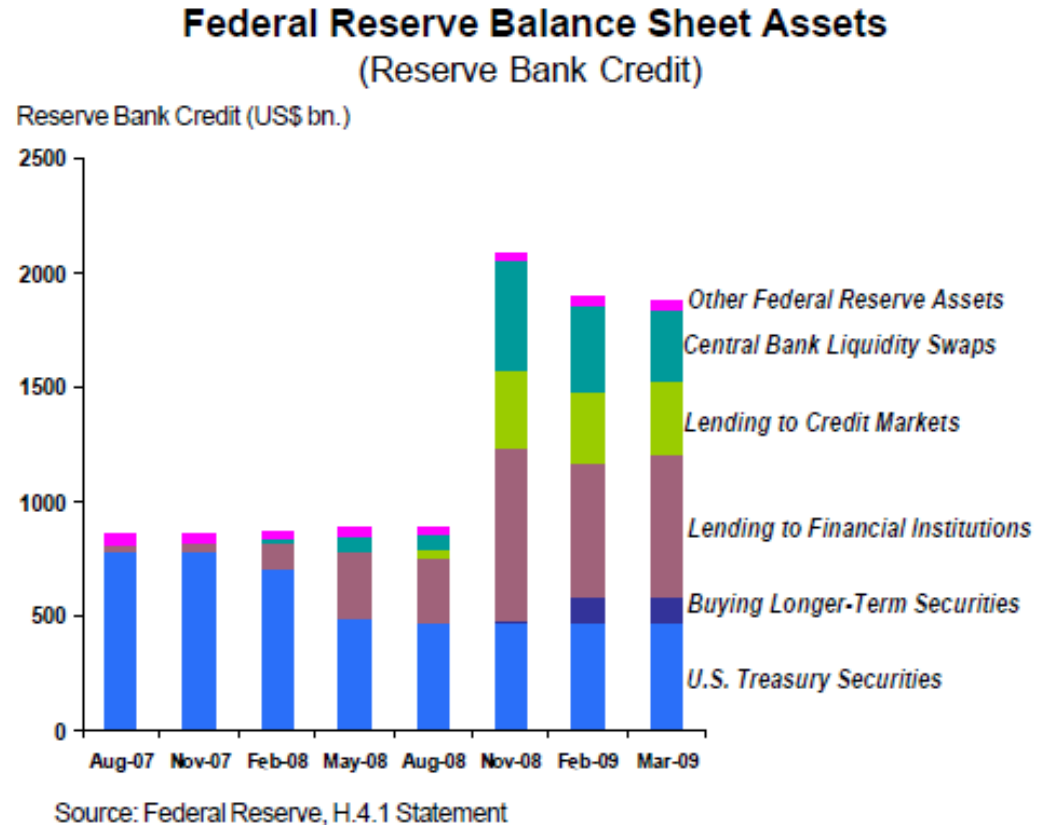
- Oil fell below \$49 a barrel, after capping its biggest monthly gain since May.
- As fuel demand slows, US crude inventories rose from the highest level in more than 15 years.



Source: Bloomberg

Federal Reserve Balance Sheet

- The composition of the Federal Reserve Balance Sheet has changed with its growth.
- The federal bailout has added substantially to lending to financial institution and credit markets.



Currency

US Dollar versus Euro

- Massive US Federal spending has caused the Dollar to drop from recent highs.
- During the week of March 16th, the Euro gained almost 5% against the Dollar.
- The all-time high for the Euro occurred in April 2008 (1.60).



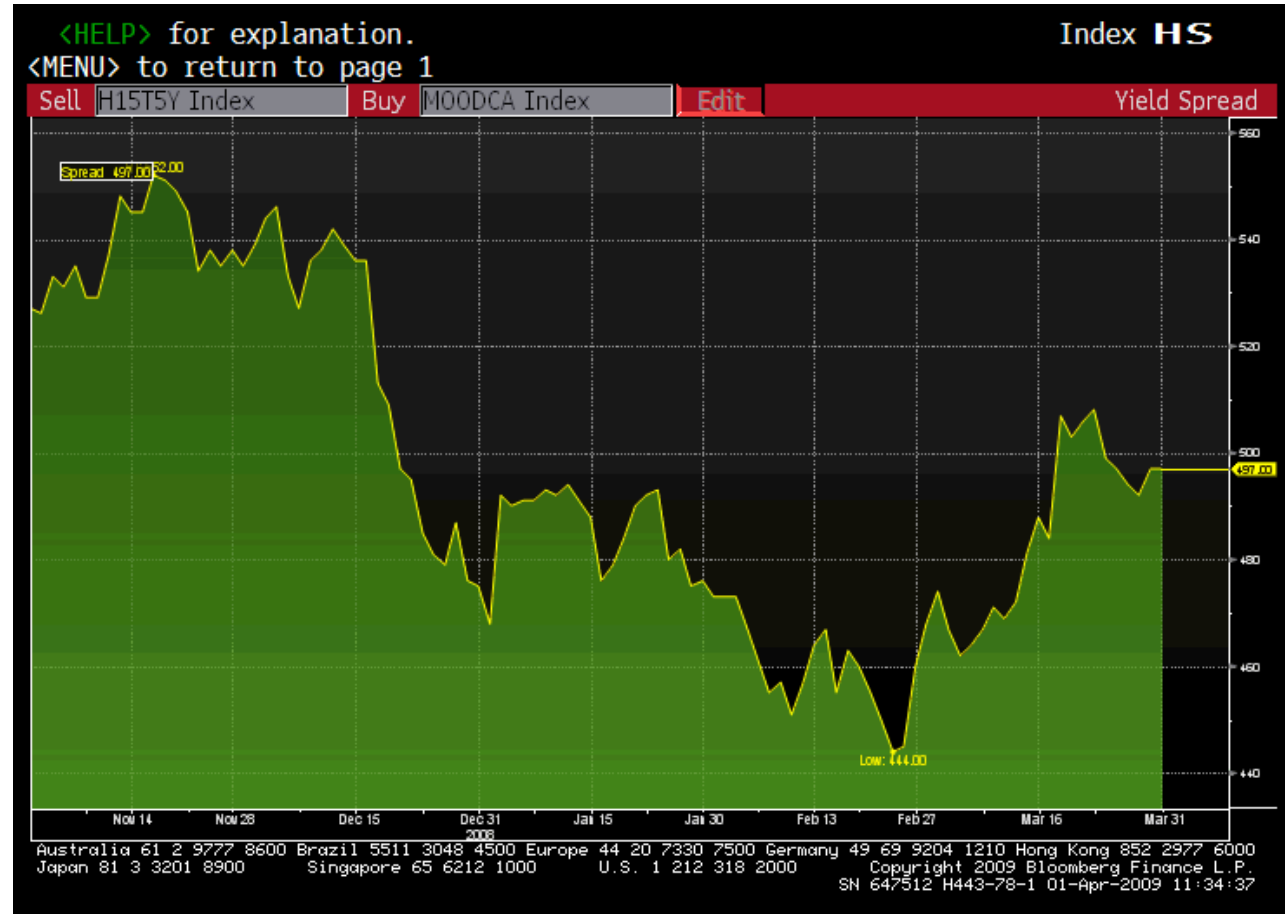
Source: Bloomberg

Credit Conditions

Still seeing promise in credit spreads

Investment grade corporate spreads have seen significant recovery

- Spreads have retreated from a high of 552 to 497 since the middle of November.
- In March, spreads widened again with resuming worries about the credit market.
- The last week of March, spreads returned to their trend of decline.

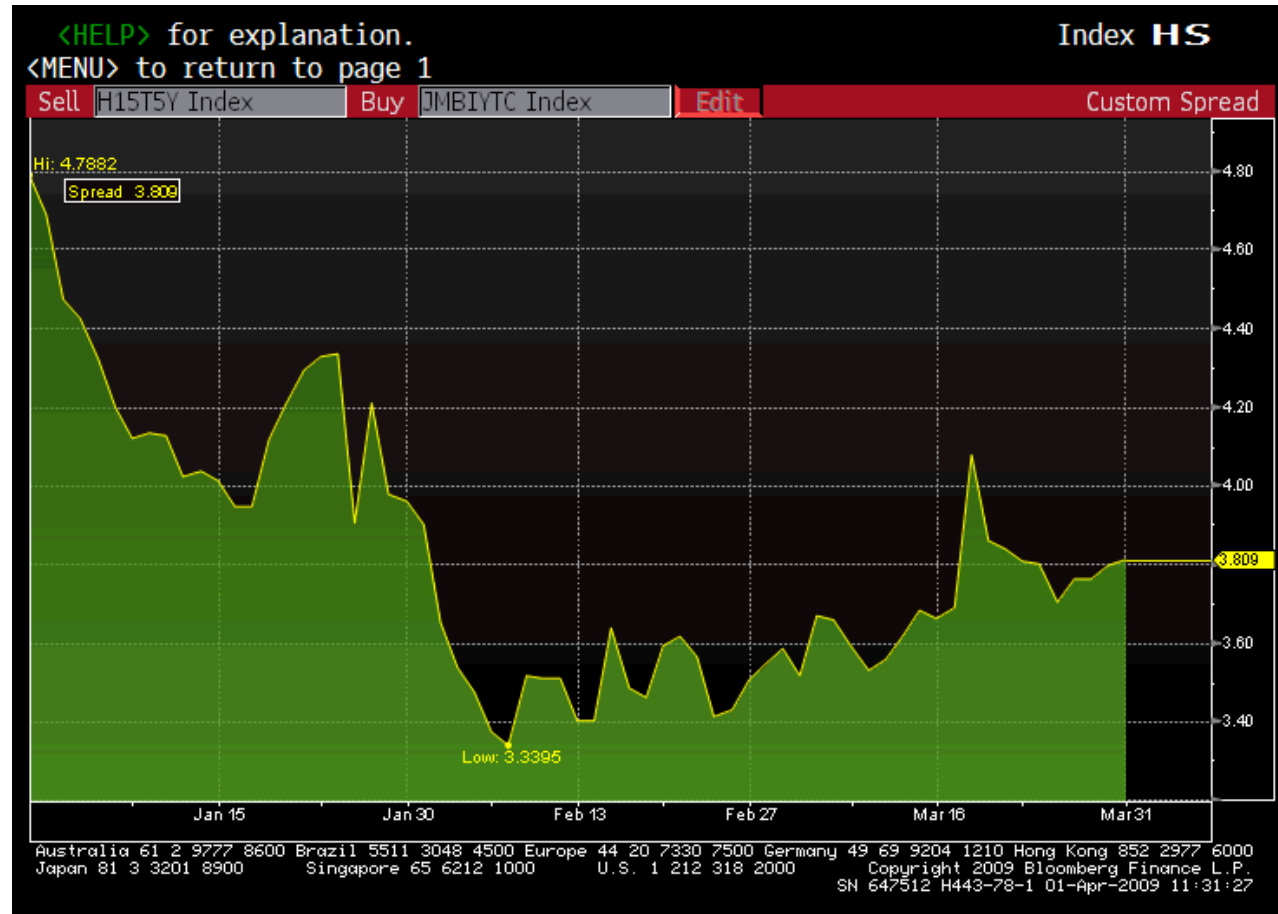


Source: Bloomberg

Municipal Bond Spreads

Municipal bonds have made a significant recovery

- Municipal spreads have declined by 142 basis points since the beginning of the year.



Source: Bloomberg, JP Morgan Chase

LIBOR Continued Falling

- Currently, 6-month LIBOR is trading at 1.72%, down almost 60% since its Autumn 2008 high.
- Average 6-month LIBOR since the beginning of 2006 has been 4.31%.



Source: Bloomberg

2009: Credit is Still the Key

Yields	3/31/2009	2/28/2009	1/30/2009	12/31/2008	11/28/2008	10/31/2008	9/30/2008	8/29/2008	7/30/2008
Fed Funds Target	0.25	0.25	0.25	0.25	1.00	1.00	2.00	2.00	2.00
3-Month LIBOR	1.19	1.26	1.18	1.44	2.22	3.03	4.05	2.81	2.80
90-Day T-bill	0.16	0.23	0.21	0.02	0.05	0.44	0.79	1.65	1.65
10-Year Treasury	2.71	2.98	2.87	2.11	2.93	4.01	3.85	3.83	4.07
JPMorgan Muni Bond	5.52	5.50	5.85	6.55	6.78	6.65	6.33	5.12	5.29
Moody's AAA (10-Year)	5.43	5.31	5.32	4.74	5.60	6.54	6.01	5.60	5.76
JP Morgan Global	2.73	2.81	2.86	2.56	2.94	3.46	3.52	3.56	3.74
JP Morgan Emerging	9.09	9.35	9.06	8.95	10.04	9.99	7.88	6.92	6.94
Spreads									
Moody's AAA (10-Year)	272	233	245	263	267	253	216	177	169
JP Morgan Emerging	658	678	662	733	748	684	442	323	297

Source: Bloomberg

- Credit market seems to be thawing with spreads trending downwards.
- The Federal Reserve has utilized all the monetary tools at their disposal to revive the credit markets.
- The government will spend approximately 4-5% of GDP to revive the domestic economy.
- Unemployment is expected to be as high as 10%, and we believe poor economic news is already priced into the market, especially in credit.

Source: Bloomberg

Market Data and Performance

Index Levels as of March 31, 2009

- March contributed positively to quarterly returns after two negative months.
- MSCI Emerging Markets was the best performing index for the 1st Quarter of 2009.

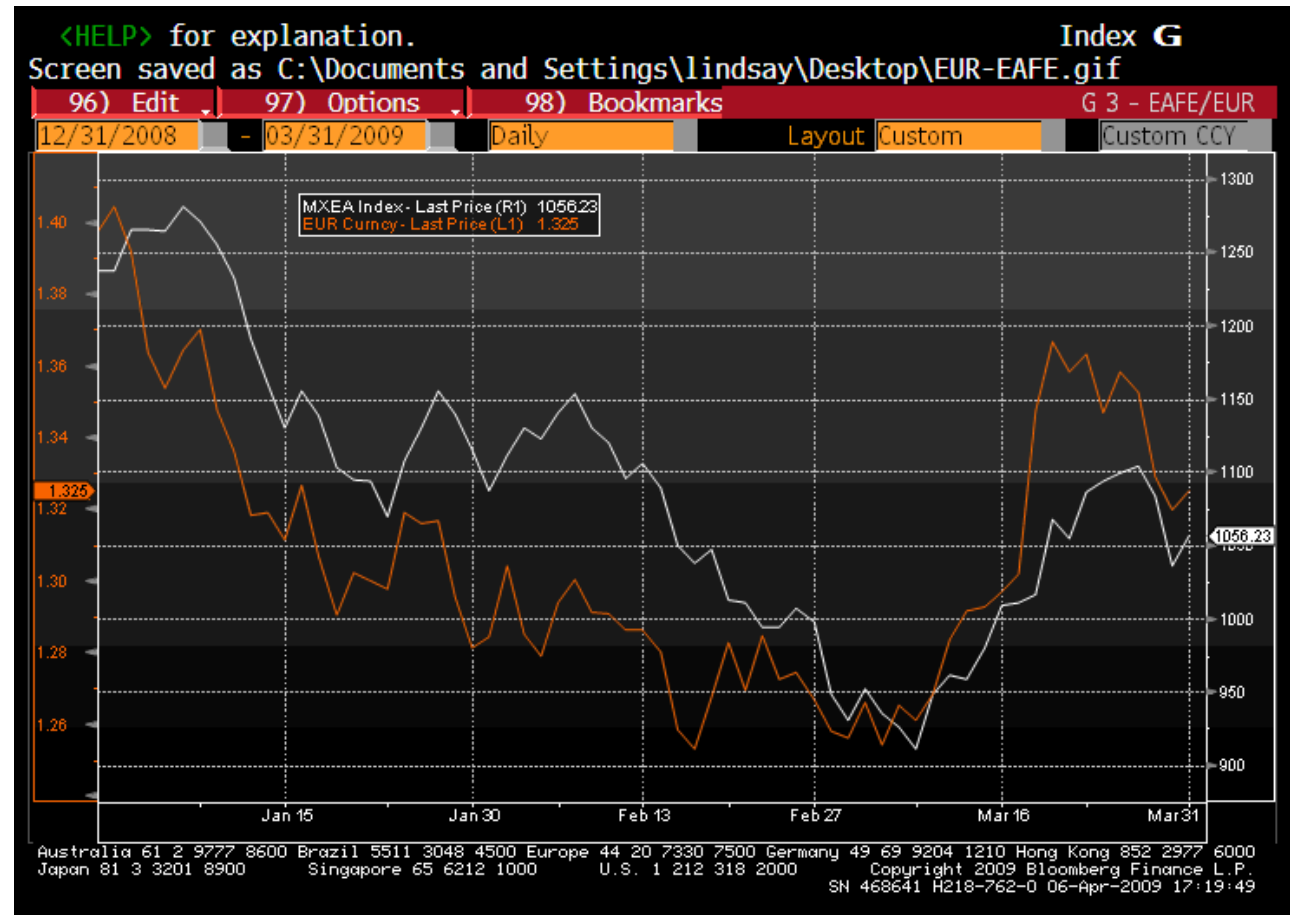
Index Levels	Yesterday Close	Month to Date Return	Qtr to Date Return	Year to Date Return	3-Year Annualized Return
Dow Jones 30	7608.92	7.93%	-12.48%	-12.48%	-9.51%
S&P 500	797.87	8.76%	-11.01%	-11.01%	-13.05%
Nasdaq	1528.59	11.02%	-2.79%	-2.79%	-12.49%
Russell 2000	422.75	8.93%	-14.95%	-14.95%	-16.77%
MSCI EAFE	1056.23	6.32%	-13.97%	-13.97%	-14.05%
MSCI EM	569.97	14.27%	0.69%	0.69%	-8.29%
MSCI World Ex. US	156.66	8.00%	-10.77%	-10.77%	-12.75%
S&P/Citi EPAC EMI	147.22	5.95%	-12.02%	-12.02%	-18.44%

Source: Bloomberg

International Markets and Currency Effects

Devaluation of the Dollar enhanced returns for US based investors

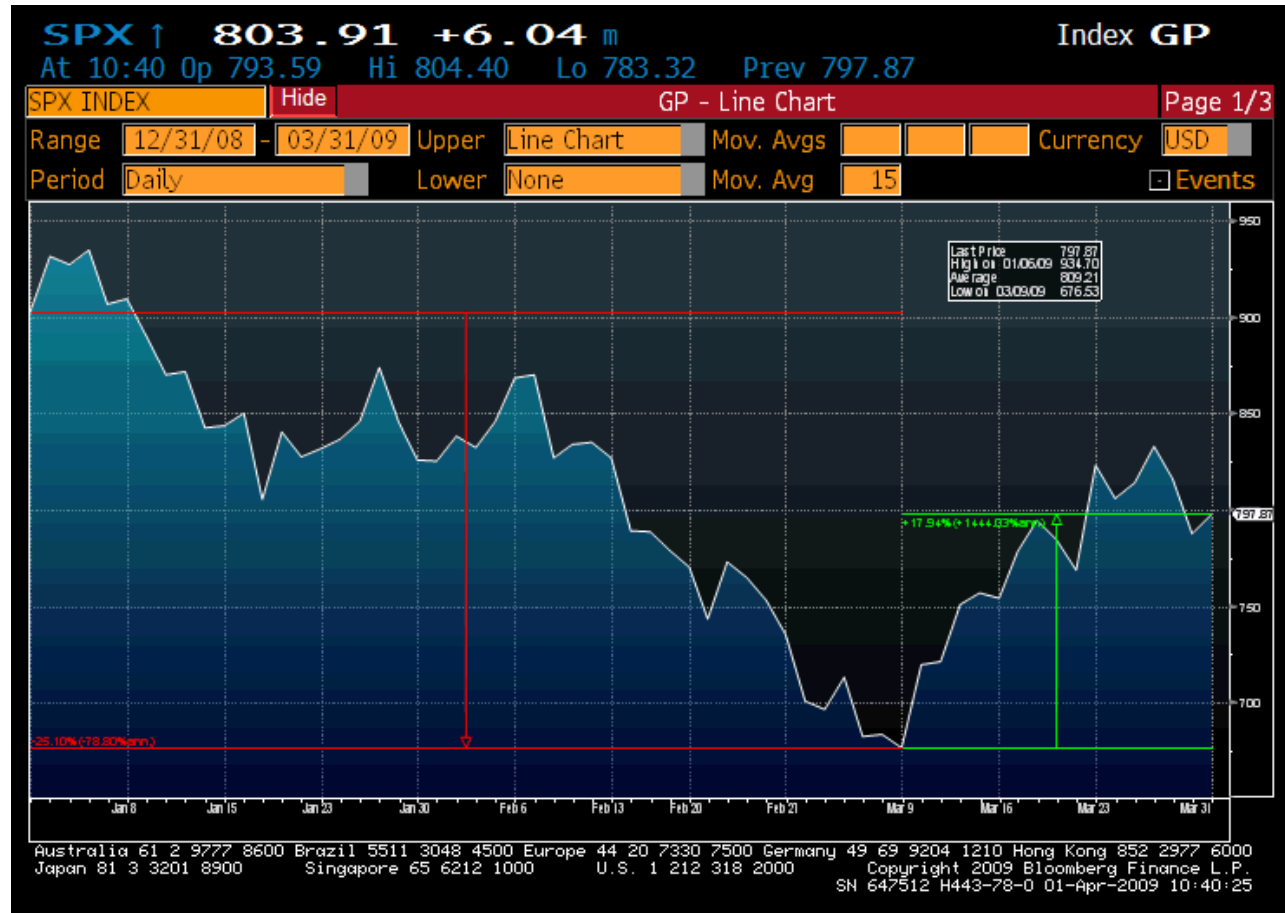
- From its market low on March 9th the EAFE Index rallied 15.89%.
- Increased values of foreign currencies attributed 4.47% to overall index returns during that time period.
- Unprecedented spending by the US Federal Government should continue to exert downward pressure on the Dollar.



Source: Bloomberg

Markets Continue to be Volatile

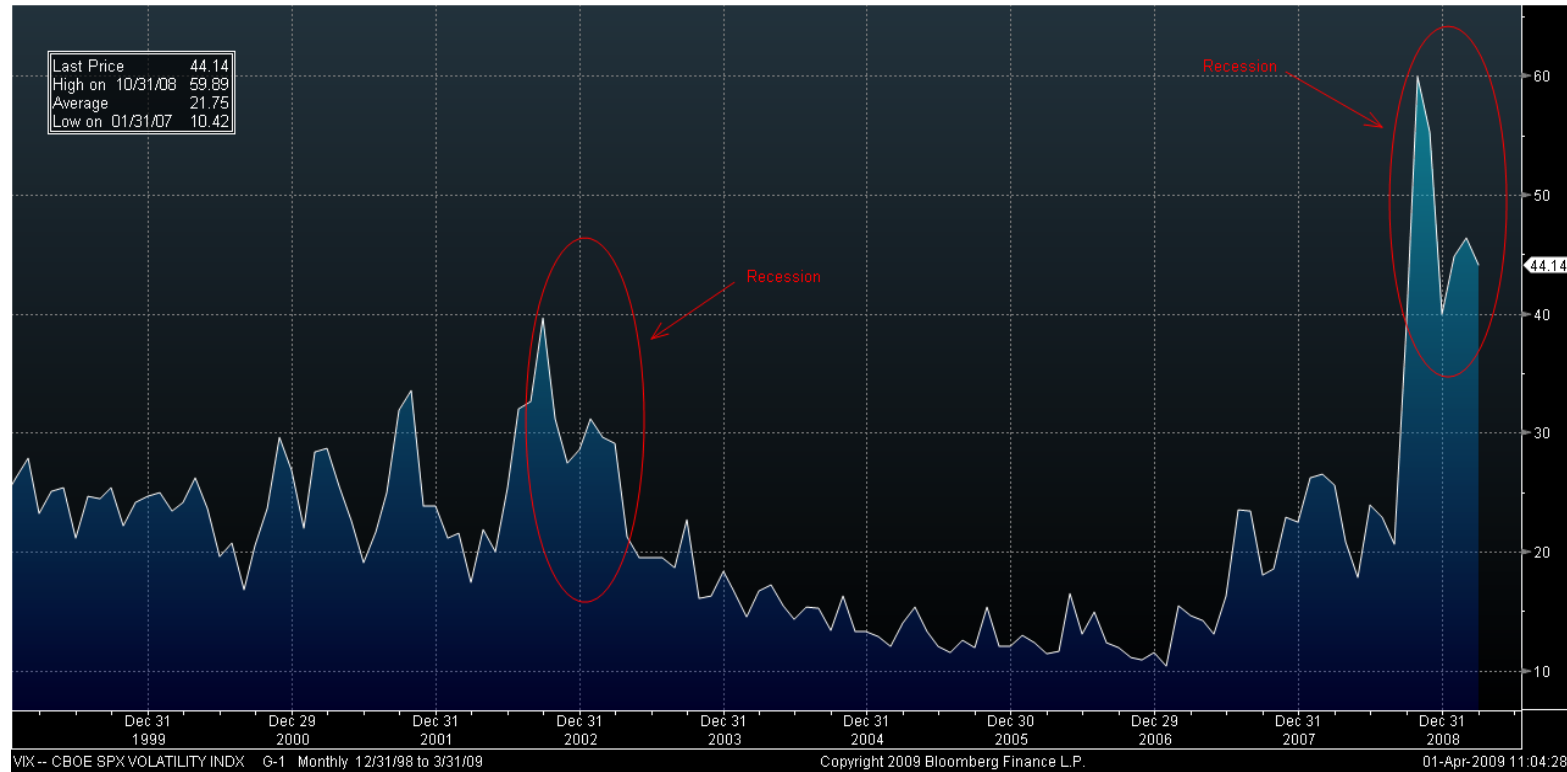
- Through March 9th the S&P 500 Index declined 25.1%.
- Through the remainder of March, the S&P rallied almost 18%.



Source: Bloomberg

S&P Volatility spikes during recessions

The VIX remains higher than the peak reached during the tech bust

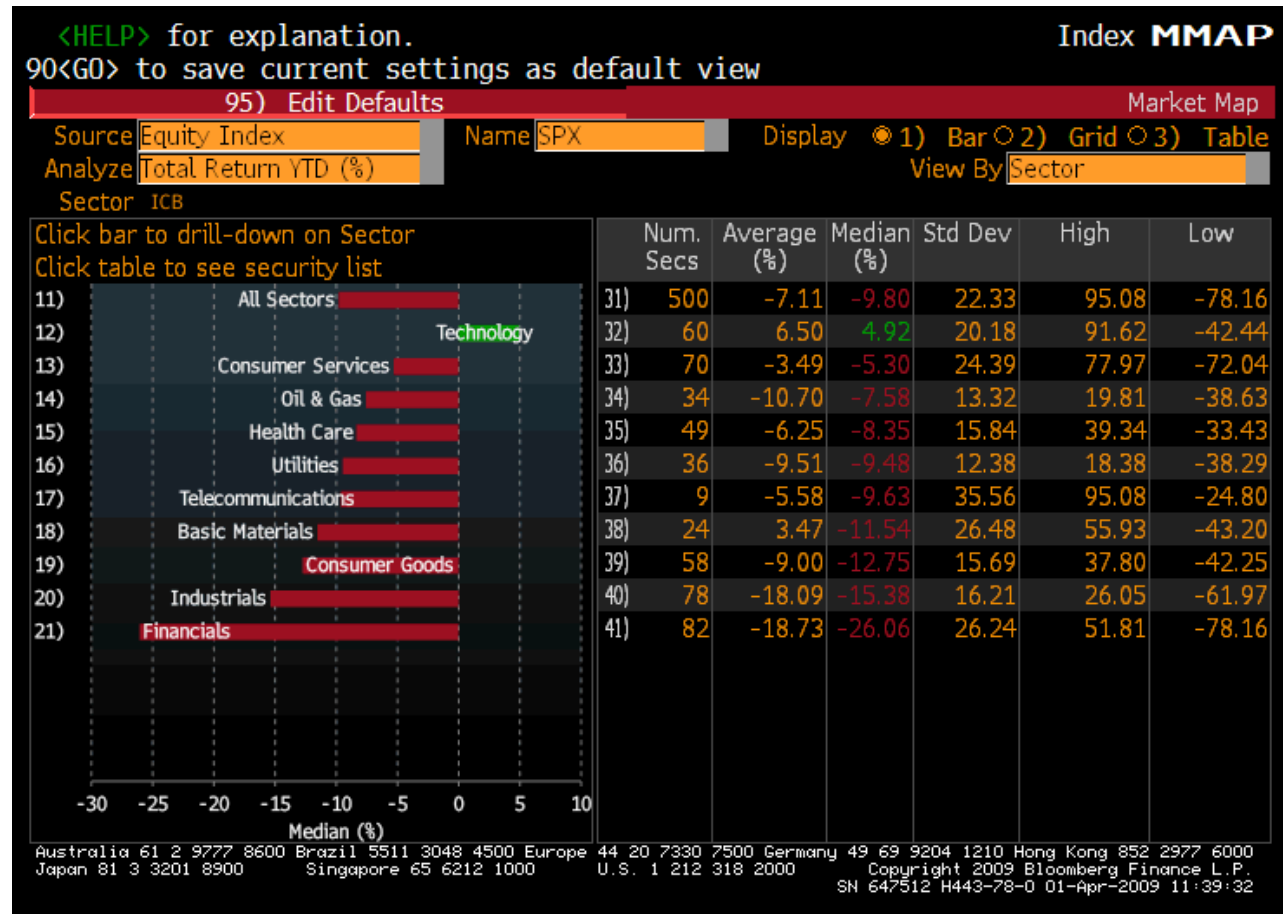


- While still hovering at a high level, the astronomical highs of 4th quarter 2008 have not reappeared.
- The VIX Index averaged 44.92% for the quarter, three times it's historical average.

Source: Bloomberg

Sector Performance Year-to-Date

- Financials continue to be the worst performing sector in the S&P.
- Government efforts to reform financial system have had limited success.
- Toxic Asset relief plans have been laid out but are slow to become a reality.

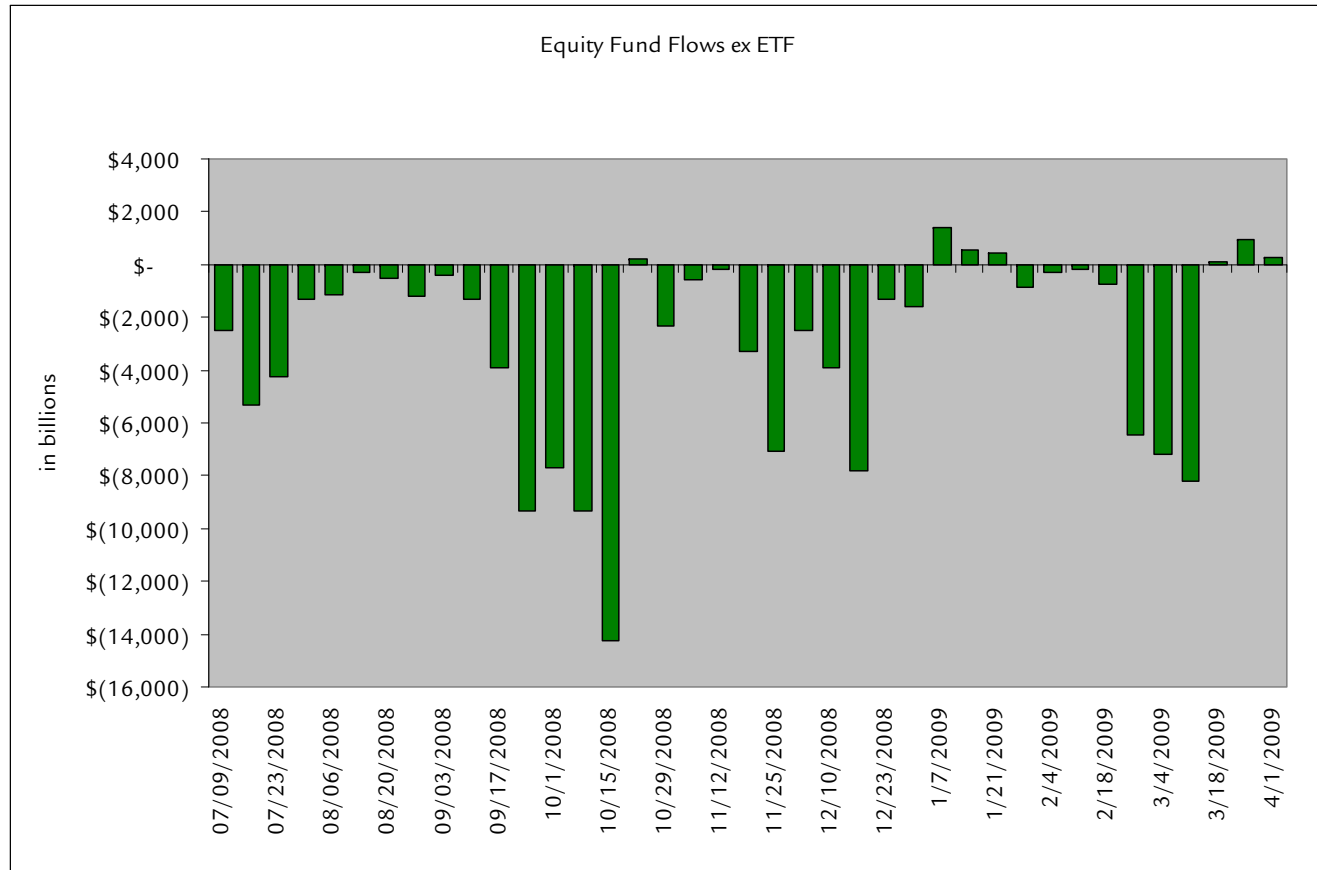


Source: Bloomberg

Mutual Fund Redemptions have slowed dramatically

Investors continue to move in and out of the market

- Investors were still moving out of the market in late January and through February.
- Late March started to show positive inflows into the equity market.



Pent-up Demand Sitting in Cash

Money market deposits (green) as a percentage of the S&P (white)

- Investors started 2009 by moving increasing amounts of money into money market funds.
- In late March, coinciding with a boost in the market, investors started moving out of money market funds and into riskier investments.



Source: Bloomberg

Equity Valuation Matrix are Very Attractive

Indices	Forward Price to Earnings For 12M			Forward Price to Book			Forward Price to Cash Flow		
	As of 3/31/09	As of 3/31/08	As of 3/31/07	As of 3/31/09	As of 3/31/08	As of 3/31/07	As of 3/31/09	As of 3/31/08	As of 3/31/07
Dow Jones Global Large Cap US	11.93	13.18	17.00	1.80	2.52	2.84	7.97	13.28	15.74
Nasdaq 100	15.60	19.05	24.19	2.81	3.99	4.11	6.35	14.37	25.11
Russell 2000	20.34	17.98	21.97	1.21	1.91	2.41	9.00	11.94	17.06
MSCI EAFE	11.54	11.08	15.96	1.10	1.78	2.35	9.02	8.13	11.02
MSCI EM	12.13	11.78	15.46	0.81	1.76	1.85	6.13	11.22	10.47
MSCI World Ex. US	11.55	12.55	16.00	1.12	1.83	2.37	9.27	8.68	11.25

Source: Thomson Portfolio Analytics

How are Hedge Funds Performing in 2009?

- Hedge Funds finally hedged again.
- Fundamentals are beginning to matter once more.
- Significant headwinds remain as many investors exit Hedge Fund strategies.

	January '09	February '09	March '09	Qtr to Date Return
HFRX US Global Hedge Fund	1.10%	-0.25%	0.51%	1.22%
HFRX Equal Weighted Strategies	1.37%	-0.02%	-0.10%	1.14%
HFRX US Convertible Arbitrage	5.90%	1.75%	0.58%	8.81%
HFRX US Distressed Securities	-0.46%	-1.17%	-2.49%	-4.94%
HFRX US Equity Hedge	-0.15%	-1.33%	2.70%	1.24%
HFRX US Equity Market Neutral	0.01%	-1.00%	-2.04%	-2.96%
HFRX US Event Driven	1.47%	0.30%	1.53%	3.02%
HFRX US Macro	1.44%	0.09%	-1.38%	-0.01%
HFRX US Merger Arbitrage	0.32%	0.44%	0.64%	1.40%
HFRX US Relative Value Arbitrage	2.33%	0.62%	-0.57%	2.25%
HFRX US Absolute Return	0.29%	0.00%	-0.76%	-0.66%
HFRX US Market Directional	1.71%	0.12%	1.72%	3.64%
S&P 500	-8.57%	-10.99%	8.54%	-11.67%

Investment Themes for 2009

- Low cost of borrowing and low valuations should begin to drive M&A, earnings growth, and investment.
- Governments worldwide continue to utilize monetary tools, as well as direct stimulus to revive credit markets in local economies.
- We believe credit and distressed strategies are looking particularly attractive in the near future, which should provide for attractive investments in the fixed income sector.
- Long-term, emerging markets remain the most attractive equity asset class.

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