



HCAP Global Diversified Fund

Year 2010 in Review

The Fund finished 2010 with a solid performance and whilst the Fund delivered a positive and reasonable overall result of 9.59%, the year fell short of the Fund's target of 15% plus.

In reviewing the year the Fund delivered 10 out of 12 positive months and whilst this result in itself is good, May and June's losses hit the Fund. Key points and considerations about the Fund include:

The Fund, a Global Macro Fund, adopts a high conviction; discretionary; multi strategy investment philosophy. The focus is to source value in the global markets, largely expressed through Futures, and to proactively allocate investment capital to target the Fund objectives (which is deliver 15% plus per annum).

Throughout the year the Fund largely traded in the global futures markets. It has a flexible alpha-seeking mandate to take risk positions across global markets in search of high returns. Importantly the Fund may also concentrate risk where value is identified.

The discretionary investment approach undertaken seeks to identify opportunistic value – and employs both directional and market neutral strategies to express views.

The focus is largely on value investing, utilizing fundamental disciplines to identify and extract value.

In reviewing the Year, investments were primarily focused on "Calendar Spreads" in Australian, New Zealand and European Interest Rate Futures markets. The typical trade throughout the year was market neutral (long / short), high conviction spreads – either expressed as flatteners or steepeners across global yield curves.

In reviewing the Fund's first and largest loss during the year, May 2010 surprised many about the extent of Europe's escalating debt crisis. It quickly created panic around world markets, including across Asia. Investors around the globe reacted swiftly, taking risk off the table. Liquidity all but evaporated and markets gapped. Essentially there was no place to hide and the Fund suffered from the markets broad price adjustments.

As Europe's problems emerged, the Fund got caught as the market gapped against the Fund's high conviction trading positions. It was a disappointing loss in what was otherwise a good first year.

Looking ahead, the global environment presents itself with ongoing uncertainty. This backdrop provides the Fund with ongoing opportunity, as volatility will likely remain high.

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HCAP Global Diversified Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	2.74%	4.22%	1.22%	2.87%	-2.11%	-9.91%	0.08%	0.25%	2.40%	3.21%	3.35%	1.71%	9.59%
2009											2.10%	-0.38%	1.72%

Global Futures

Targeting superior risk adjusted returns, the Fund's alpha seeking focus is to generate returns through an active and global trading approach - largely across liquid futures; securities and options strategies. The Fund's investment style is predominantly value based and discretionary, adopting both directional and hedged (i.e. long/short) position taking. The Fund has a higher expected volatility profile, which implies higher targeted returns.

Key Fund points

Transparency – monthly liquidity – performance driven – management is a significant investor

Fund Manager

HCAP Asset Management, as Investment Manager to the Fund, was founded in November 2008. Steve Howell, company founder and CEO, has extensive experience across fixed income and relative value trading and investing. Steve, having worked in financial markets for over 25 years, has deep experience in asset selection, portfolio construction and risk management disciplines.

Performance Statistics

NAV/Unit	111.47
Return Since Inception	11.47%
3 Month Return	8.49%
6 Month Return	11.46%
12 Month Return	9.59%
% Positive Months	79%
Highest Monthly Return	4.22%
Lowest Monthly Return	-9.91%
Average Gain	2.20%
Average Loss	-4.13%

Fund Information

Base Currency:	AUD
Domicile:	Australia
Investment Type:	Unit Trust
Inception:	Oct 2009
Management Fee:	1.50%
Performance Fee:	20% (subject to HWM)
Subscriptions:	Monthly
Redemptions:	Monthly
Income Distributions:	Semi-Annually
Minimum Investment:	AUD 100,000
Fund Open To:	Professional Investors
Legal Advisor:	Mallesons Stephen Jaques
Auditor:	Hall Chadwick
Administrator:	TMF FundServices
Bloomberg Ticker:	HCAPGDV AU Equity
Telekurs VALOR:	CH11003333

Investment Manager

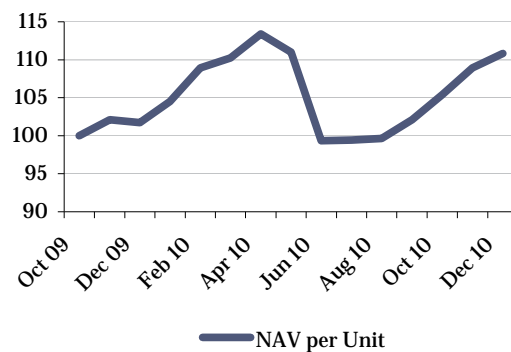
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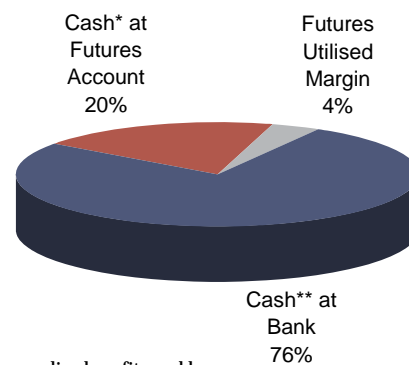
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Cumulative Performance



Capital Allocation at Month End



* Including unrealised profits and losses

** Including accrued interest