



Thames River DISTRESSED FOCUS Fund

(Thames River Alternative Strategies Limited)
DISTRESSED FOCUSED MULTI-MANAGER

Manager Commentary – by Ken Kinsey-Quick / Alex Kuiper

“2010 will be a year of alpha rather than beta.” January was a volatile month and 2010 started as we expected. (See our 2009 review/2010 outlook note). The markets began the month with the same strength with which they ended December 2009. This strength was short lived as the second half saw a marked sell-off, with markets succumbing to various fears, both real and imagined. This was a very similar scenario to what we saw in January 2009. However, then the world was bracing itself for economic recession and potential disaster, whereas 12 months on we find ourselves in a largely different situation. January 2010 saw a number of notable events including China starting to tighten monetary policy and Greek credit fears, with concerns surrounding the ability of Greece to lower their budget deficit. When Russia defaulted on its debt in 1998, they had a total debt of €51 billion. Greece now has €254 billion with more debt to be added later this year. This negative backdrop is coupled with the fact that it seems that a lot of the good news about economic recovery has been priced into the markets already, and we expect equity returns to be somewhat more muted this year.

Distressed Focus's USD NAV for the month of January was -0.04%. The MSCI World ended the month -4.1% down with the Barclays Aggregate Bond Index +1.5%. With the managers that have reported to date, there was a positive skew to the results, with Claren Road Credit Opportunities Fund being the strongest performer with a return of +6%. Our biggest weighting, Cheyne TRC II, detracted from performance with a return of -3.6%. It remains to be seen whether 2010 will follow the same vein as 2009. We are of the opinion that it will be a volatile year, allowing stock pickers to thrive. We remain cautiously optimistic for our funds, using our macro hedging actively to protect the book as we deem appropriate. "Perhaps more than anything else, failure to recognise the precariousness and fickleness of confidence - especially in cases in which large short-term debts need to be rolled over continuously - is the key factor that gives rise to the this-time-is-different syndrome. Highly indebted governments, banks, or corporations can seem to be merrily rolling along for an extended period, when bang!-confidence collapses, lenders disappear, and a crisis hits." This Time is Different (Carmen M. Reinhart and Kenneth Rogoff)

Fund Performance to 29 Jan 2010

	Est. NAV Per Share	1 Year	3 Year	5 Year
Class A	\$1,616.83	+21.26%	+14.27%	+36.11%
Class B	€1,544.71	+20.65%	+12.51%	+29.34%
Class C	£1,662.68	+20.62%	+13.64%	+35.53%
Class D	SEK14,349.36	+20.03%	+10.51%	+25.79%
Class E	CHF988.06	+19.56%	-	-

Source: Northern Trust IFAS (Ireland) Ltd. Above rolling returns are cumulative. N.B. Historical performances for distribution share classes may vary from previous issues of the Thames River newsletters. This follows an improvement in the performance calculation methodology (from monthly to daily cumulative), in order to be in line with Global Investment Performance Standards.

\$ Class Statistics Since Inception

Annualised Return	+7.6%
Volatility (Standard Deviation)	6.1%
Worst Drawdown	-20.5%
Sharpe Ratio (2.45%)	0.83
Sortino Ratio (MAR = 0%)	1.89

Source: Bloomberg, Pertrac, (NB: Sharpe Ratio risk free rate - Citi 3 Month T-Bill).

Top 5 Holdings

	Strategy	Month	YTD
Candlewood Special Sits*	Distressed	1.3	1.3
Cheyne TRC II*	Credit	-3.6	-3.6
Claren Road Credit Opps*	Credit	6.0	6.0
Davidson Kempner DO*	Distressed	2.1	2.1
Paulson Advantage Plus*	Event Driven	-2.0	-2.0

*Estimate. Note: YTD figures relate to current underlying managers which may not have been held in the portfolio for the whole of this period.

Return History %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
10	-0.04	-	-	-	-	-	-	-	-	-	-	-	-0.04
09	+2.08	+0.05	-1.43	+4.16	+2.30	+2.16	+5.39	+0.22	+2.46	+0.31	+1.04	+3.00	+23.82
08	-1.95	-0.84	-0.73	+1.31	+0.34	-0.51	-1.42	-1.10	-4.85	-6.29	-2.79	-3.53	-20.41
07	+1.30	+2.33	+0.93	+1.39	+1.65	+3.82	+2.69	-0.90	+0.89	+2.38	-0.68	+0.51	+17.50
06	+2.21	0.00	+1.91	+1.58	+0.62	-0.38	+0.02	+0.85	+0.20	+2.66	+1.62	+1.45	+13.46
05	+0.11	+1.03	+0.14	-0.98	+0.04	+1.14	+1.74	+0.72	+0.77	-1.57	-0.04	+0.64	+3.75
04	+1.72	+0.50	+0.07	+0.38	-0.03	+1.02	0.00	+0.46	+1.18	+0.89	+2.41	+1.62	+10.67
03	-	-	-	-	-	0.00	+0.61	+0.93	+1.58	+1.47	+0.95	+1.47	+7.22

The above performance history relates to the Fund's base currency share class only. The full share class history is available in the back of the monthly Newsletter. NAV per share monthly return calculated net of fees. Source: Northern Trust IFAS (Ireland) Ltd, except for those in italics -TRC estimate.

Asset Allocation by Strategy %

Credit (2)	24.5
Distressed (2)	19.5
Event Driven (1)	9.7
Multi-Strategy (1)	6.6
Other (1)	3.5
Cash*	36.1
Total	100.0

Note: (x) denotes number of managers. Allocations are shown post new month dealing. * Cash, receivables and other assets

Fund Objective

The fund aims to achieve absolute returns by investing opportunistically in a portfolio of distressed hedge style managers.

Return target over a cycle: 10+ p.a.

Volatility tolerance: 5-10% standard deviation

Loss target: no losing 12 months

Drawdown target: less than 10%

*Please note that investors should be aware of amended liquidity terms

Fund Size (Mn)

\$12.6

Share Classes

\$/€/£/ SEK/CHF (hedged)

Launch Price

\$/€/£ 1,000 on 30/06/2003

SEK 10,000 on 31/10/2003

CHF 1,000 on 29/02/2008

Minimum

Dealing

Monthly

Redemptions

Quarterly. 95 days notice*

Domicile

Cayman Islands/CISX

Unit Type

Roll Up

Charges

Initial Charge

Up to 5%

Management Fee

1.5% p.a.

Performance Fee

10% HWM

Redemption Fee

3% (12 months)

Manager

Thames River Capital Holdings

Ltd

Investment

Thames River Capital LLP

Adviser

Custodian

HSBC Private Bank(CI)Ltd

Administrator

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