



Thames River HEDGE +

(Thames River Multi-Hedge PCC Limited) Close-ended protected cell company incorporated in Guernsey
OPPORTUNISTIC 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 has begun 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. There were 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 and volatile this year.

Hedge +'s GBP NAV for the month of January was -0.9%. The MSCI World ended the month -4.1% down with the Barclays Aggregate Bond Index +1.5%. With the managers that have reported so far there was a fairly broad range of returns. Significant outliers were RAB Octane +14.7% and Union National Brazil -13.7%. We are of the opinion that 2010 will be a volatile year, allowing stock pickers to thrive. We remain cautiously positioned, using our macro hedging actively to protect the book as we deem appropriate. "Perhaps more than anything else, failure to recognize 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	Price per Share	Premium/Discount
£ Class	£1.39	+10.40%	+11.67%	+33.90%	£1.22	-12.23%
€ Class	€1.27	+10.55%	+8.42%	+24.90%	€1.11	-12.59%
\$ Class	\$1.17	+12.51%	+12.98%	-	\$1.03	-11.96%

Source: Northern Trust IFAS (Ireland) Ltd. Above rolling returns are cumulative. Note: Price is the month-end mid-price. 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.

£ Statistics Since Inception*

Annualised Return	+6.1%
Volatility (Standard Deviation)	6.8%
Worst Drawdown	-19.9%
Sharpe Ratio (4.12%)	0.37
Sortino Ratio (MAR = 0%)	1.29

Start date 28.02.04. Source: Bloomberg, Pertrac, (NB: Sharpe Ratio risk free rate - SONIA).

Top 5 Holdings

	Strategy	Month	YTD
Cheyne TRC II*	Credit	-3.6	-3.6
CQS Directional Opps*	Multi-Strategy	-	-
Davidson Kempner DO*	Distressed	2.1	2.1
Nevsky	Equity L/S	-3.6	-3.6
TR Absolute Return Fund	Multi-Strategy	-0.4	-0.4

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

NAV per share Vs Index 23.02.2004 To 29.01.2010



Source: Northern Trust IFAS (Ireland) Ltd, Bloomberg, TRC

Return History %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
10	<i>-0.94</i>	-	-	-	-	-	-	-	-	-	-	-	-0.94
09	+0.80	+0.39	-0.47	+0.96	+2.97	+1.02	+2.61	+0.55	+2.04	-1.02	-0.28	+2.21	+12.34
08	-0.25	+1.79	-2.13	-0.26	+1.70	+0.91	-2.00	-1.05	-4.33	-7.97	-4.36	-1.96	-18.57
07	+1.67	+3.16	+0.78	+1.47	+1.83	+2.18	+4.42	+0.17	+1.97	+4.83	-0.36	+0.77	+25.28
06	+3.44	+1.27	+1.21	+2.14	-1.29	-1.38	-0.38	-0.34	-0.33	+1.44	+2.32	+2.02	+10.47
05	0.00	+1.03	-0.33	-0.86	+0.30	+1.19	+1.60	+0.41	+0.93	-1.33	+2.10	+1.60	+6.77
04	-	-0.04	+0.17	-1.00	-0.58	+0.57	-0.12	+0.40	+1.44	+0.91	+2.63	+1.78	+6.28

The full share class history for is available in the back of the monthly Newsletter. NAV per share monthly return calculated net of fees. Source: Northern Trust IFAS (Guernsey) Ltd, except for those in italics -TRC estimate.

Asset Allocation by Strategy %

Other (9)	21.5
Equity L/S (8)	18.9
Multi-Strategy (3)	16.6
Credit (4)	12.6
Macro (5)	8.3
Distressed (1)	5.2
Convertible Arb (1)	4.6
Event Driven (1)	4.3
Currency (1)	1.4
Macro Hedge	0.1
Cash*	5.8
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 consistent absolute returns by investing opportunistically in a portfolio of both directional and non-directional hedge 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%

Fund Size (Mn)

£283.3
Share Classes £/€£ (hedged vs US\$)/ US\$
Dealing £/€ 23/02/2004
Commenced \$: 31/10/2006
Opening Price £1.00/ €1.00/ \$1.00
Launch NAV £0.980 / €0.980 / \$0.975
NAV Frequency Monthly (weekly estimates)
Dealing Daily (stock market)
Domicile Guernsey
Listing LSE/CISX
Charges
Initial Charge Nil
Management Fee 1.5% p.a.
Performance Fee 10% HWM (5% Hurdle)

Manager

Thames River Capital LLP
Sponsor/Broker Cenkos Securities plc
Custodian HSBC Private Bank(CI)Ltd / JP Morgan Hedge Fund Services
Administrator Northern Trust International Fund Administration Services (Guernsey) Ltd
CREST Agent Computershare Investment Services plc
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