



# Thames River KINGSWAY Fund

(Thames River Kingsway Fund Limited)  
LONG/SHORT PAN EUROPEAN EQUITY

## Manager Commentary – by James Van den Bergh / Jeff Thomson

The Kingsway Fund started the year positively rising 2.2%. Key positive contributions came from positions in BG Group, Air France, Sandvik and Santander while Thales, Prudential, Aviva and Lagardere all made negative contributions to performance. The average gross and net exposure during the month was 80.4% and 9.4% respectively. Despite a rally in the first few days of the year, risk assets sold off in January. Market concerns included Chinese economic overheating, increased bank regulation, stimulus withdrawal, European sovereign risks and disappointing US unemployment data. All of this caused investors to question the sustainability of the economic recovery. In the US, the Federal Reserve kept rates on hold but provided detail about the winding down of some its liquidity support programs. The December ISM manufacturing index jumped to 55.9, the highest level since April 2006, although the key non-farm payroll report disappointed with a further loss of 85,000 jobs against flat expectations. In Europe the key focus was sovereign risk, specifically the unsustainably high levels of fiscal debt in Greece. In response, the Greek yield spread versus German bonds increased from 239bps to a peak of just under 400bps. Although Greece announced a three year plan to address their fiscal deficit, markets remain sceptical and contagion across other Southern European countries, and indeed further afield, is a real possibility. In the UK, the Bank of England kept rates on hold and the Quantitative Easing purchase target was held at £200bn. Fourth quarter GDP growth of 0.1% confirmed an anaemic economic recovery. Looking forward, there is a real risk that higher sovereign bond yields, fiscal tightening and the gradual withdrawal of emergency monetary stimulus could fatally undermine the fragile global economic recovery. At a minimum, history would suggest that the current correction in equity markets may last a while longer, even if these fears ultimately prove to be misplaced. Against this difficult backdrop, we remain focused on stock specifics with a tight control of our net market exposure.

### Fund Performance to 29 Jan 2010

	NAV Per Share	1 Year Fund	3 Year Fund	5 Year Fund
<b>Class A</b>	€3,264.99	+7.30%	-7.84%	+23.84%
<b>Class B</b>	\$2,532.28	+7.49%	-9.29%	+25.21%
<b>Class C</b>	£1,024.28	+7.33%	-5.99%	-

Source: Northern Trust IFAS (Ireland) Ltd. Above rolling returns are cumulative. Refer to back of the monthly newsletter for monthly/ annual returns.

### € Class Statistics Since Inception

Annualised Return	<b>+11.4%</b>
Volatility (Standard Deviation)	<b>10.1%</b>
Worst Drawdown	<b>-19.4%</b>
Sharpe Ratio (3.18%)	<b>0.82</b>
Sortino Ratio (MAR = 0%)	<b>2.84</b>

Source: Bloomberg, Pertrac (NB: Sharpe Ratio risk free rate - Euribor)

### Return History %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>10</b>	+2.20	-	-	-	-	-	-	-	-	-	-	-	<b>+2.20</b>
<b>09</b>	+0.17	-2.37	-0.39	+1.23	+1.88	-0.32	+1.36	+3.45	+1.29	-0.30	-0.23	-0.59	<b>+5.17</b>
<b>08</b>	-5.95	+0.12	+0.31	+4.86	-0.92	+0.03	-1.01	+0.84	-5.73	-4.40	-4.32	+1.08	<b>-14.60</b>
<b>07</b>	+1.42	-0.07	+1.08	+2.14	+0.60	-0.82	-2.06	-1.41	+0.09	+1.35	+0.02	-0.44	<b>+1.84</b>
<b>06</b>	+4.11	+3.37	+1.86	+2.39	-2.04	+2.28	+0.39	+0.26	-0.37	+0.54	+1.27	+3.50	<b>+18.82</b>
<b>05</b>	+0.92	+0.69	-0.11	-3.07	+1.36	+1.45	+0.47	+1.55	+1.71	+0.22	+3.34	+3.50	<b>+12.53</b>
<b>04</b>	+2.76	+0.68	+0.07	-0.69	-2.02	+0.39	-0.50	+0.96	+2.83	-0.15	+1.83	+0.87	<b>+7.14</b>
<b>03</b>	-0.35	-0.61	+0.83	-1.12	+0.32	-0.48	+0.25	+1.20	-1.93	-0.01	-0.31	+0.05	<b>-2.18</b>
<b>02</b>	+0.03	-0.10	+2.01	+0.20	-0.06	+0.13	+1.84	+3.21	-0.99	+1.63	+0.71	-0.68	<b>+8.14</b>
<b>01</b>	+1.38	-2.08	+0.13	+1.45	+1.02	+1.10	-0.27	-0.15	-2.34	-0.73	+1.19	+1.22	<b>+1.84</b>
<b>00</b>	+0.02	+17.19	+3.62	-1.88	-0.13	+1.00	+3.43	+1.39	+2.31	+1.55	+1.74	+1.20	<b>+34.84</b>
<b>99</b>	-	-	+2.23	+11.08	-0.17	+4.26	+6.62	+2.06	+1.84	+1.47	+10.26	+14.53	<b>+67.83</b>

The above performance relates to the Fund's base currency class only. Shaded area represents performance prior to Thomson and Van den Bergh taking over management. Note: NAV per share monthly return calculated net of fees. Source: Northern Trust IFAS (Ireland) Ltd 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.

### Sector Allocation Exposure as % of Fund NAV

Sub-Sector	Long	Short	Gross	Net
Consumer Discretionary	7.3	-3.5	10.8	3.7
Consumer Staples	5.0	-5.4	10.4	-0.3
Energy	5.1	-	5.1	5.1
Financials	13.6	-4.1	17.7	9.5
Health Care	-	-3.6	3.6	-3.6
Industrials	10.2	-7.2	17.5	3.0
Information Technology	-	-	-	-
Materials	6.1	-0.4	6.6	5.7
Telecommunication Services	1.5	-2.0	3.5	-0.4
Utilities	1.0	-1.0	2.1	-
Future	-	-19.8	19.8	-19.8
Index Derivatives	9.3	-6.9	16.2	2.3
<b>Total</b>	<b>59.2</b>	<b>-54.0</b>	<b>113.2</b>	<b>5.1</b>

\* MSCI Sectors. Note: Gross exposure excludes options.

### Fund Objective

The fund is a long/short European equity fund aiming to maximise absolute returns which do not depend to any substantial degree on favourable or unfavourable economic conditions. The fund invests predominantly in large capitalisation blue chip European companies.

\* This share class will apply for distributor status annually.



### Fund Size (Mn)

€29.7

### Share Classes

€ (base) US\$/£ (hedged)

### Launch Price

€/\$1,000 on 08/03/1999

£1,000 on 31/05/2006

### Minimum

€/\$100,000/ £ equivalent

### Dealing

Monthly

### Domicile

Cayman Islands

### Listing

Irish Stock Exchange

### Legal Status

Unregulated Investment Scheme

### Unit Type

Roll-Up (€/\$)/Distribution (€)\*

### Charges

Initial Charge Up to 5%

Management Fee 1.5% p.a.

Performance Fee 20% HWM

### Manager

Thames River Capital Holdings Ltd

### Investment

Thames River Capital LLP

### Adviser

### Prime Broker

Goldman Sachs International

### Administrator

Northern Trust International Fund, Administration Services (Ireland) Ltd

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