



# Ebullio Capital Management LLP

The Ebullio Commodity Fund

February  
2010

**-86.25%**  
**NAV \$6.83**

## FUND INFORMATION

Fund Assets: USD 1.47M  
(Excluding assets in Managed  
Accounts format)

Date of Inception: August 2008

Denomination: USD & EUR

Administrator: GlobeOp Financial  
Services

Auditor: Kinetic Partners LLP

Custodian: J P Morgan

Prime Broker: Marex Financial  
(J P Morgan Seg Accounts)

Managed Accounts:  
Marex

Legal Advisors: Cayman—Walkers  
UK—Cummings & Co.

## FUND TERMS

Minimum Investment: \$/€ 100,000

Management Fee: 2%

Performance Fee: 20%

High Watermark: Yes

Subscription Frequency: Monthly

Redemption Liquidity: Monthly

Redemption Notice: 30 days

## Manager's Commentary by Lars Steffensen

February 2010 was the worst month in the history of the Ebullio Commodity Fund and we regret to report a return of **-86.25 pct** for the month, which brings our total return for the year to **-95.83 pct** and to **-89.63 pct** since inception.

Some extraordinary circumstances forced the Ebullio Commodity Fund to liquidate and/or cancel parts of the physical book and to liquidate some long held speculative positions, mainly in LME non-ferrous metals.

Most Managers would probably try to hush this up and not send out this Newsletter, but we have always been about transparency and having broadcast our winning months, we are going to do the same with our (albeit quite a lot more spectacular) losers and take the heat that comes with the territory.

The good news is that whilst our NAV is obviously impacted to the low side by this, the Fund continues to do business as usual. The liquidity position of the Fund is strong with in excess of USD 40 million in cash and since the remaining physical book is very profitable going forward, we view the future with confidence (this confidence is being justified by our March month-to-date result which is showing a plus of more than +10 pct at the time of writing).

The fund has also honoured quite substantial redemptions for the Feb 1st and March 1st dealing date and will continue to honour any further re-

demptions.

Ebullio Capital Management LLP is also strong and has, as a token of confidence in the future, waived its 2 pct management fee for 2010.

Lessons have been learned from this and the challenges that have caused this draw-down have been brought under control and cannot impact us again going forward.

In our other activities, Crude, Wheat, Gold and Sugar made the positive impact for the month, but this was drowned out by the hugely negative impact made by Copper, Nickel and Tin – physical, spreads and outright.

As always, and in line with our established philosophy and validated trading strategy of being an opportunistic, aggressive yet conservative Capital Manager, we had protective options on our positions and these options did indeed mitigate the losing scenario; however, as the options were quite far away from the money on the long held positions, they only improved the month by 5 pct; however, they did enable us to extricate ourselves from the awful hand that we were dealt in a reasonably orderly manner and so, nevertheless, played a major role. We still consider it money well spent and essential to manage downside risk and, as often stated on these pages, we like to sleep at night and our commitment to the strategy is unwavering.

## Manager's View by Lars Steffensen

As can be seen from the above, the Manager has mainly spent the last couple of months fighting fires and whilst we have been paying attention to the world and the markets, the broader picture hasn't been top priority.

However, a clear picture of complete confusion has emerged (not necessarily an oxymoron):

Continued on page 2.....

## Net Monthly Performance

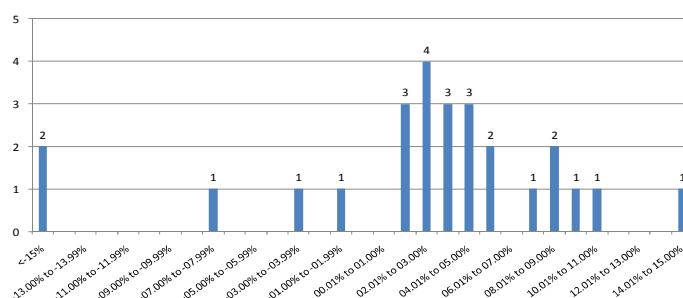
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010	-69.65%	-86.25%											<b>-95.83%</b>
2009	-1.22%	4.82%	2.12%	4.52%	2.93%	1.66%	3.12%	-2.98%	7.96%	1.63%	-7.72%	10.34%	<b>29.27%</b>
2008	3.67%	8.32%	9.31%	3.35%	2.27%	2.16%	14.39%	4.12%	1.12%	5.50% *	5.10%	8.42%	<b>91.91%</b>

\* Managed account structure prior to October 2008

## Return Analysis

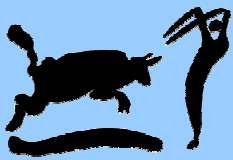
Positive return days:	9
Max daily return:	0.89%
Average positive daily return:	0.29%
Drawdown days:	10
Max daily drawdown:	-27.42%
Average daily drawdown:	-9.91%
Average monthly return:	-2.34%

## Distribution of Monthly Returns



## Ebullio [latin]: to produce in abundance

Ebullio Capital Management LLP  
Ebullio House  
33 Clarence Street  
Southend-on-Sea SS1 1BH  
Tel: +44 (0) 1702 608 516  
Fax: +44 (0) 1702 608 510  
E-Mail: [marketing@ebullio.co.uk](mailto:marketing@ebullio.co.uk)

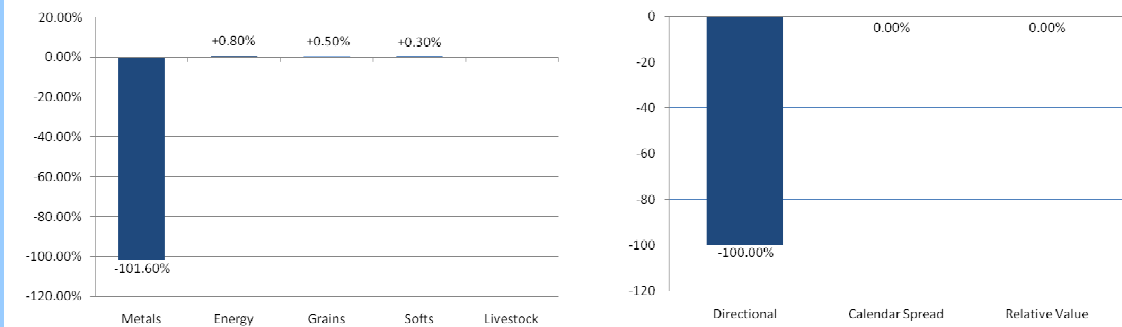


# Ebullio Capital Management LLP

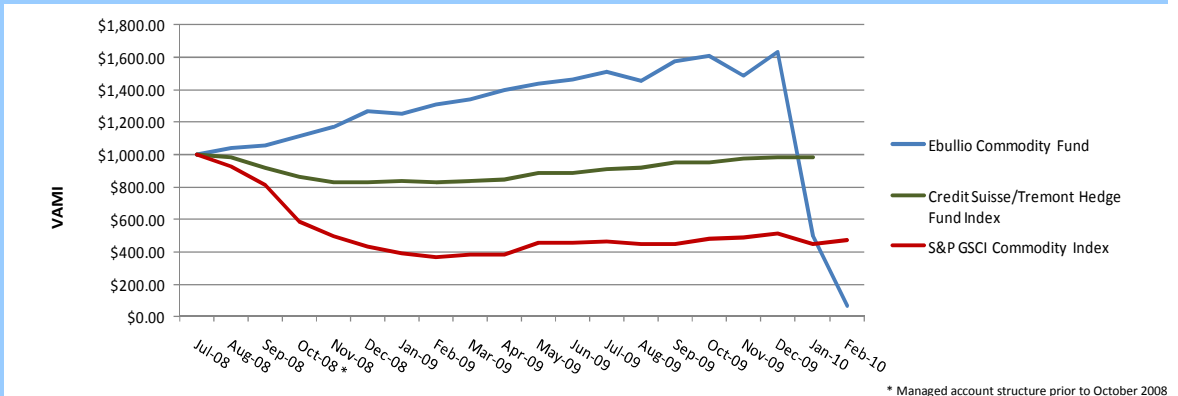
## The Ebullio Commodity Fund

February  
2010

### Performance Attribution



### Performance vs. Benchmarks



### Manager's View

Either we are going to get hyperinflation and all tangible assets will explode 100 pct or more to the upside, gold will be at \$5000/oz and paper money is history.

Or we are getting Japan in the '90s with no chance of inflation because consumers will save, not spend no matter what the politicians do and all markets will be down 50/80 pct from here.

Pay your money and make your choice.

Since our getting long against conviction play early January 2010, we have been doing some thinking and come to the conclusion that the Japan scenario has at least been tried and tested in the real, civilized world, whereas the hyperinflation (discounting Weimar Germany and various kleptocratic African quasi States) has not.

Thus we come firmly down on the Japan scenario and expect these markets to go much, much lower once the diversification-into-commodities-as-an-inflation-hedge by the big pension funds and other institutions has been done and people realize that China cannot go it alone (just as Japan couldn't),

and whilst our main focus is on extracting the great value inherent in our physical activity for the foreseeable future, we will be placed to take advantage of the eventual collapse.

Despite our very upbeat view on the future and performance of the Ebullio Commodity Fund, we have obviously had a tough couple of months and have certainly come to realize with Bad Blake (played by Oscar winning Jeff Bridges) in "Crazy Heart":



"You don't see it coming, until it's gone....."

Ebullio [latin]: to produce in abundance

Ebullio Capital Management LLP  
Ebullio House  
33 Clarence Street  
Southend-on-Sea SS1 1BH  
Tel: +44 (0) 1702 608 516  
Fax: +44 (0) 1702 608 510  
E-Mail: marketing@ebullio.co.uk

#### IMPORTANT DISCLAIMER

This promotion is provided by Ebullio Capital Management LLP who is authorised and regulated by the Financial Services Authority and is a limited liability partnership registered in England and Wales, Registration No. OC331213. The content of this promotion is provided for information purposes only. It does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or purchase, shares, units or other interests in investments referred to herein. Applications to invest in any product referred to in this presentation must only be made on the basis of the documentation relating to the specific investment and you should refer to your investment adviser.

Past performance is not necessarily a guide to future performance or returns. Ebullio Capital Management LLP have taken all reasonable care to ensure that the information contained in this material is accurate at the time of publication, no representation or warranty, express or implied, is made as to the accuracy, reliability or completeness of such information.

The promotion of Collective Investment Schemes in the United Kingdom is restricted by Section 238 of the Financial Services and Markets Act 2000 ("FSMA"). Units may only be offered or sold by an authorised person in the United Kingdom in accordance with section 238 of the Financial Services and Markets Act 2000, the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes-Exemptions) Order 2001 and Chapter 4 of the Conduct of Business Sourcebook of the Financial Services Authority.