Riverplus Fund

MONTHLY INVESTMENT REPORT
December 2009

SHARE PRICE (per Dec 31, 2009): 100.09
NAV (per Dec 31, 2009): CHF 58'426'371

Riverplus Fund is a long-short Delta, Gamma, and Vega fund incorporated in the Cayman Islands. The inception date was **October 1st, 2009**. The fund's objective is to generate a stable source of return by actively trading in listed Swiss stocks, options on Swiss stocks, and Index Futures. Investment advisor of Riverplus Fund is lambda Capital Group.

Monthly Net Return

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009										0.02%	-0.31%	0.38%	0.09%

Daily Trading Activity

Riverplus is committed to a highly active trading strategy. Figure 1 reports the number of trades made for each trading day during December 2009. Figure 2 plots the daily values of the buy and sell trades (in millions of CHF). Since typically towards the end of the year, overall trading activity in the markets decreases, there is a low level of information flow. Consequently, we ended our trading year with a moderate number of trades with small volume.

Figure 1: Number of Trades

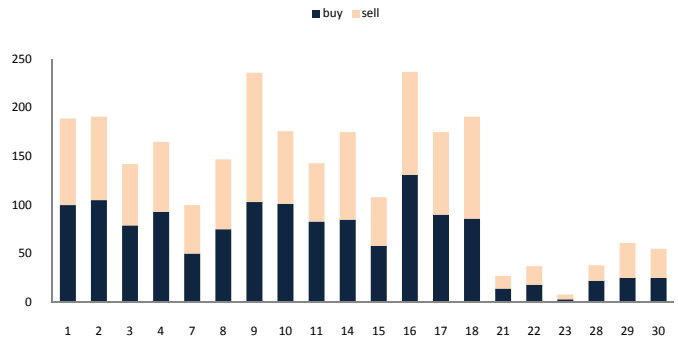
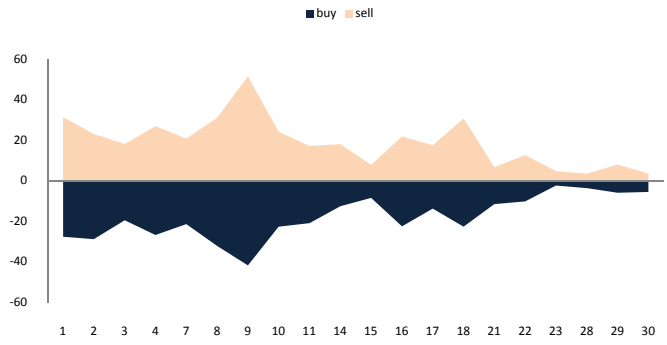


Figure 2: Trading Volumes (million CHF)



Nevertheless, for the whole month of December, our trading activity averaged 139 trades and a volume of CHF 37 million per day, compared to an average of 75 trades and an average volume of CHF 43 million in the previous month.

Delta Exposure

Figure 3 shows the long and short Delta positions as well as the net Delta position, expressed in millions of CHF. Figure 4 illustrates the Delta exposures for our index positions (SMI and GDAX) and for the positions in SMI and SMIM stocks.

Figure 3: Delta Exposure on the Long and Short Side (million CHF)

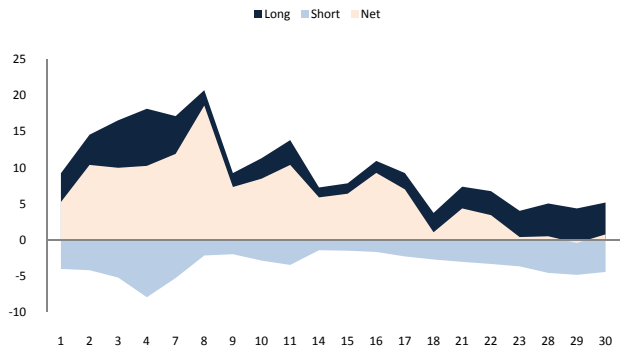
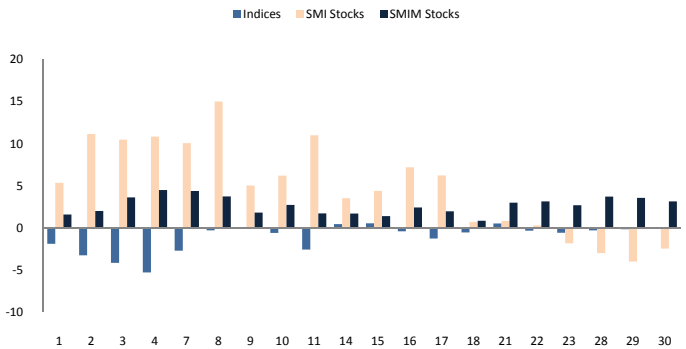


Figure 4: Delta Exposure per Indices, SMI and SMIM Stocks (million CHF)



Although we played both the long and the short side, we kept some overnight positions in the stocks which were delta long. However, towards the end of the year, we decreased our net exposure substantially, with the long and short side having approximately the same size.

Gamma and Vega Exposure

A large part of the risk capital is allocated to active option-based strategies. Therefore, Gamma and Vega exposures play a prominent role in our risk management and need to be monitored carefully. Figure 5 and Figure 6 plot the daily net Gamma and Vega exposures during the month of December. While the worries surrounding the situation in Dubai overshadowed financial markets at the end of November, confidence returned in December. Therefore, on an aggregate level, we monotonically increased our Vega short exposure (Figure 6). Our Gamma exposure was both negative and positive (Figure 5).

Figure 5: Gamma Exposure (in CHF)

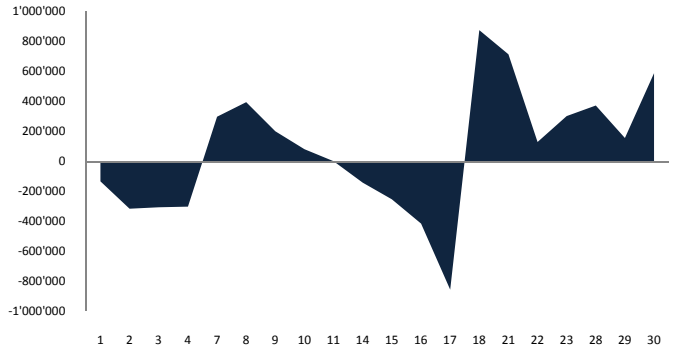


Figure 6: Vega Exposure (in CHF)

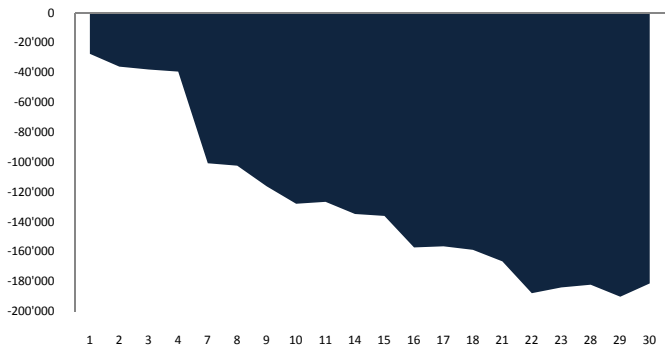


Figure 7 and Figure 8 show the average daily Gamma and Vega positions for the maturity buckets. For each bucket, we also show the long and short position, illustrating that we play both sides of volatility risk. Since there was a large expiry of options in December, we also held some very short-term exposures in Vega and Gamma risks, i.e. option positions with a maturity of less than 30 days.

Figure 7: Average Gamma per Maturity (in CHF)

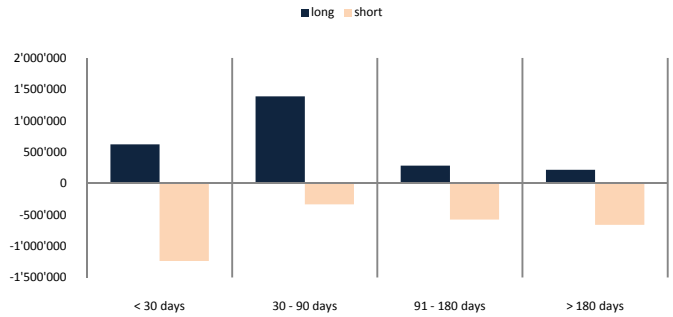


Figure 8: Average Vega per Maturity (in CHF)

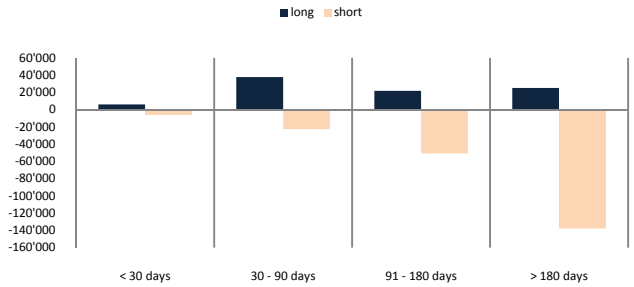


Figure 9 and Figure 10 show the average daily Gamma and Vega positions for different moneyness buckets, again split up into long and short positions. Most of the exposure is located in the near at-the-money bucket.

Figure 9: Average Gamma per Moneyness (in CHF)

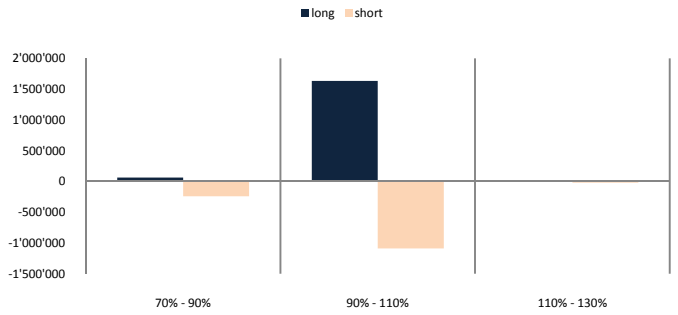
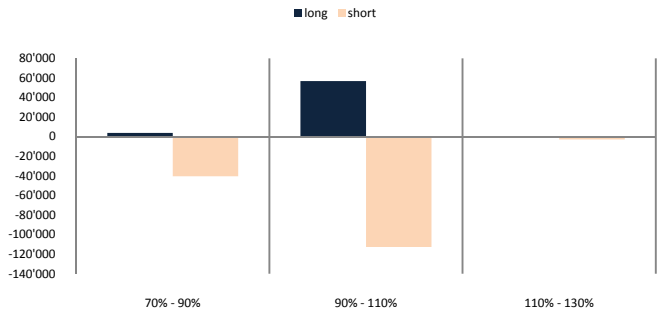
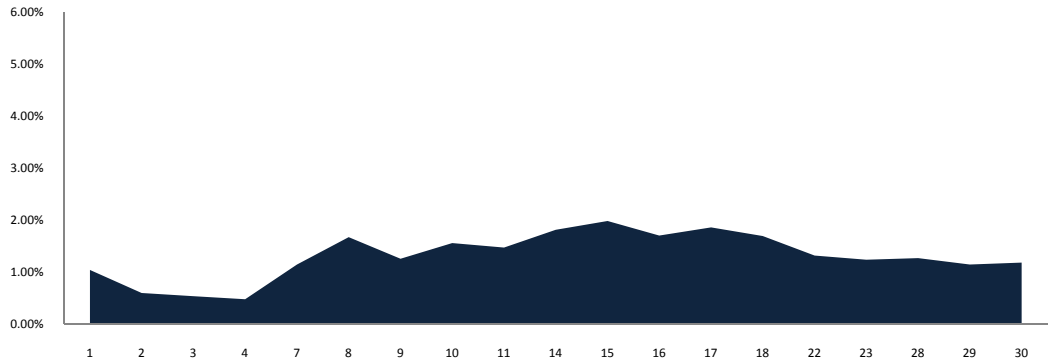


Figure 10: Average Vega per Moneyness (CHF)



Our risk allocation for the different strategies within Riverplus is based on the maximum loss principle. Maximum loss, in contrast to the commonly used Value-at-Risk concept, is a coherent risk measure. The principle of maximum loss is based, in a first step, on the definition of the trust region, which can be interpreted as a probability-weighted scenario analysis. These scenarios are then used to define the maximum loss on the portfolio level. For intraday risk measurement, we use a second order approximation for the maximum loss, which takes into account Delta, Gamma, and Vega exposures. For the end-of-day risk figures we use a full-valuation method, which relies on the whole covariance matrix defined by the price and volatility risk dimension and fully accounts for all the inherent nonlinearities.

Figure 11: Maximum Loss Level (in % of NAV)



As an overall acceptable risk level, we fix a monthly maximum loss of 5% at the 95% confidence level. Figure 11 shows the evolution of the fund's maximum loss for each trading day in December. Compared to the month of November, we decided to start with a small overall risk exposure into the new month. The maximum loss figure peaked around the middle of the month, with levels slightly below 2%.

Riverplus Fund – Additional Information

Strategy	Long-Short Delta Gamma Vega	**Assets under Management** (December 31, 2009)	58.4 million
NAV per Unit	100.09	**Redemption**	monthly/30 days notice
Management Fee	2%	**Performance Fee**	20%
Fund Structure	single fund, open-end	**Prime Broker/Custodian**	Credit Suisse
Equalisation	yes	**High-Water-Mark**	yes
Investment Advisor	lambda Capital Group	**Investment Manager**	Riverplus Management Company
Domicile	Cayman Island	**Auditor**	KPMG
Stock Exchange Listing	Irish Stock Exchange	**Valor/ISIN**	10263523/KYG759421053
Day of Inception	October 1st, 2009	**Share Class**	CHF

For further details or for more information, please contact us at info@lambdacapital.ch