lambda
CAPITAL GROUP

October 2009

Riverplus Fund

MONTHLY INVESTMENT REPORT
October 2009

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. Below, we give a brief overview and summarize some general information:

Strategy	Long-Short Delta Gamma Vega	**Assets under Management** (October 30, 2009)	CHF 57 million
NAV per Unit	100.02	**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

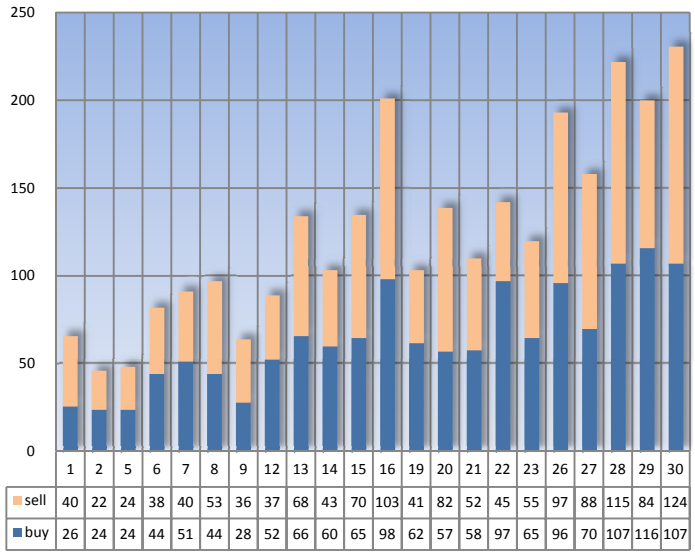
Monthly Net Return

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

Daily Trading Activity

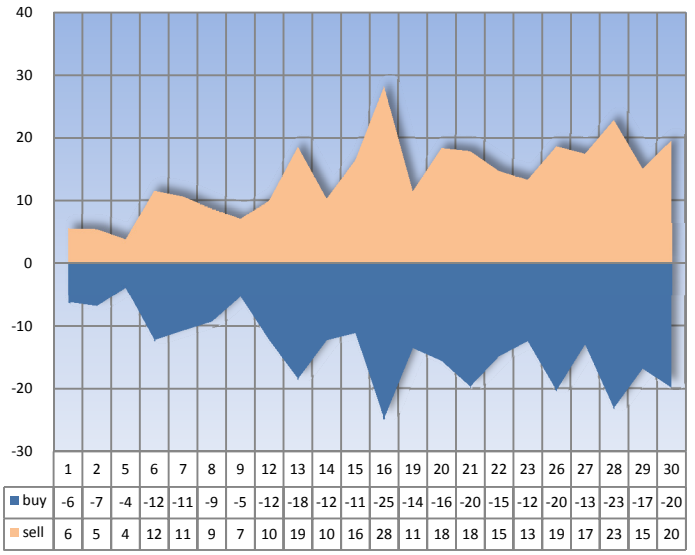
As Riverplus is committed to a highly active trading strategy, it is informative to present the fund's activity on a daily basis. The two graphs below serve as an overview on our trading activity. Figure 1 reports the number of trades made for each trading day in October, while Figure 2 plots the daily values of the buy and sell trades (in millions of CHF). Given that the inception date of Riverplus was October 1st, we started slowly into the month with less than 100 trades per day for the first twelve days. However, this number finally peaked towards the end of the month with a total of 231 trades on the last trading day in October.

Figure 1: Number of Trades



	1	2	5	6	7	8	9	12	13	14	15	16	19	20	21	22	23	26	27	28	29	30
sell	40	22	24	38	40	53	36	37	68	43	70	103	41	82	52	45	55	97	88	115	84	124
buy	26	24	24	44	51	44	28	52	66	60	65	98	62	57	58	97	65	96	70	107	116	107

Figure 2: Trading Volumes (millon CHF)

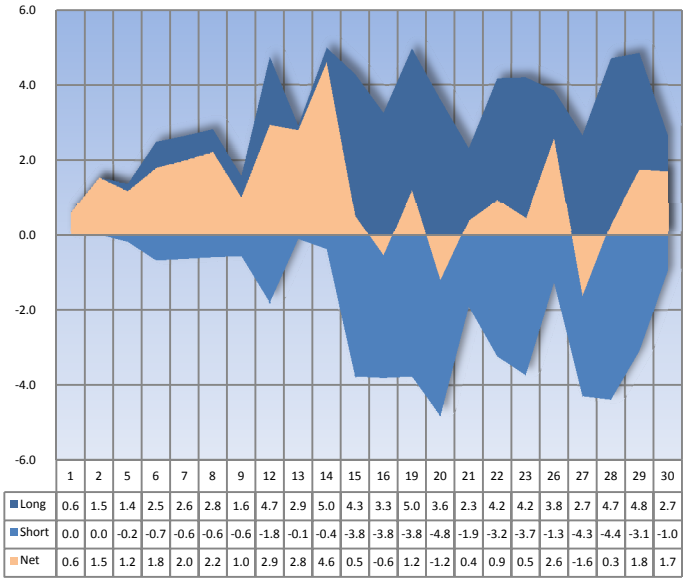


	1	2	5	6	7	8	9	12	13	14	15	16	19	20	21	22	23	26	27	28	29	30
buy	-6	-7	-4	-12	-11	-9	-5	-12	-18	-12	-11	-25	-14	-16	-20	-15	-12	-20	-13	-23	-17	-20
sell	6	5	4	12	11	9	7	10	19	10	16	28	11	18	18	15	13	19	17	23	15	20

Both the number of trades and their values are rather evenly distributed among buy and sell trades, indicating that we play both the short and the long side. For the whole month of October, our trading activity can be summarized by a daily average of 126 trades and a daily average volume of CHF 27.6 million.

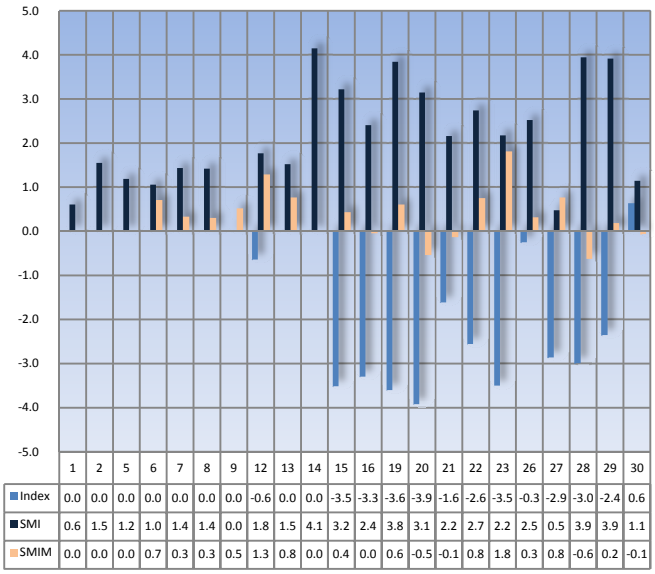
The figures below provide information on the fund's daily long and short positions. Since Riverplus Fund is active in both the equity and the option market, we express the long and short positions in terms of Delta weighted exposures. Figure 3 shows the long and short Delta positions as well as the net Delta position, expressed in millions of CHF. Figure 4 illustrates the Delta exposures for our index positions and for the positions in the SMI as well as the SMIM stocks.

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



	1	2	5	6	7	8	9	12	13	14	15	16	19	20	21	22	23	26	27	28	29	30
Long	0.6	1.5	1.4	2.5	2.6	2.8	1.6	4.7	2.9	5.0	4.3	3.3	5.0	3.6	2.3	4.2	4.2	3.8	2.7	4.7	4.8	2.7
Short	0.0	0.0	-0.2	-0.7	-0.6	-0.6	-0.6	-1.8	-0.1	-0.4	-3.8	-3.8	-3.8	-4.8	-1.9	-3.2	-3.7	-1.3	-4.3	-4.4	-3.1	-1.0
Net	0.6	1.5	1.2	1.8	2.0	2.2	1.0	2.9	2.8	4.6	0.5	-0.6	1.2	-1.2	0.4	0.9	0.5	2.6	-1.6	0.3	1.8	1.7

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



	1	2	5	6	7	8	9	12	13	14	15	16	19	20	21	22	23	26	27	28	29	30
Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	0.0	-3.5	-3.3	-3.6	-3.9	-1.6	-2.6	-3.5	-0.3	-2.9	-3.0	-2.4	0.6
SMI	0.6	1.5	1.2	1.0	1.4	1.4	0.0	1.8	1.5	4.1	3.2	2.4	3.8	3.1	2.2	2.7	2.2	2.5	0.5	3.9	3.9	1.1
SMIM	0.0	0.0	0.0	0.7	0.3	0.3	0.5	1.3	0.8	0.0	0.4	0.0	0.6	-0.5	-0.1	0.8	1.8	0.3	0.8	-0.6	0.2	-0.1

For the whole month, the net Delta exposure was never above CHF 4.6 million or approximately 8% of NAV, which reflects our strategy to avoid large Delta risks due to the current market environment with no clear direction. However, the long and short Delta positions increased from smaller values at the beginning of the month to values exceeding CHF 4 million for both legs for some days during the second half of the month. If we split these exposures into net exposures in indices, which we use mainly for hedging purposes, and SMI stocks as well as SMIM stocks, we observe that most of the short Delta exposures where generated by index positions. The net Delta exposure in SMI stocks is positive for the whole month and considerably larger than the exposure in the less liquid SMIM stocks, which for some days of the trading month turned negative.

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 October. The figure shows that Riverplus was on an aggregated level short volatility and Gamma risks. The steady increase in these risk dimensions reflects the fact that we slowly started building up strategic positions in our option trading book since October 1st, the day of inception.

Figure 5: Gamma Exposure (in CHF)

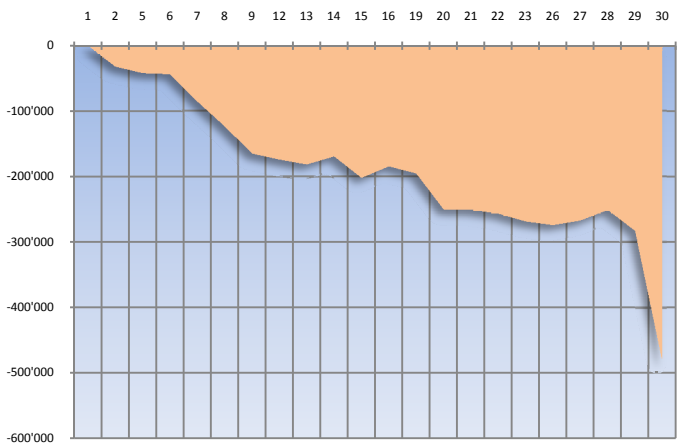
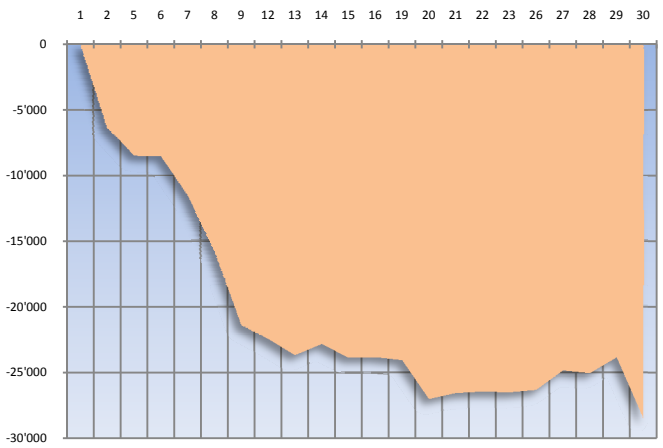
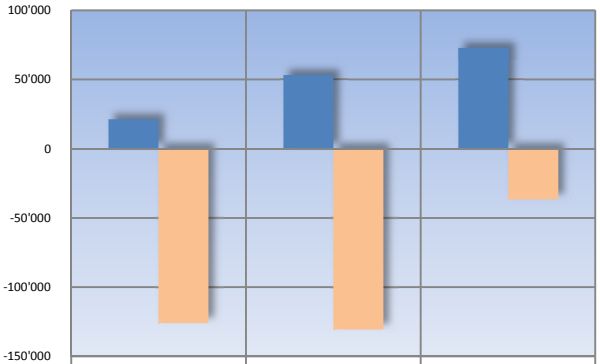


Figure 6: Vega Exposure (in CHF)



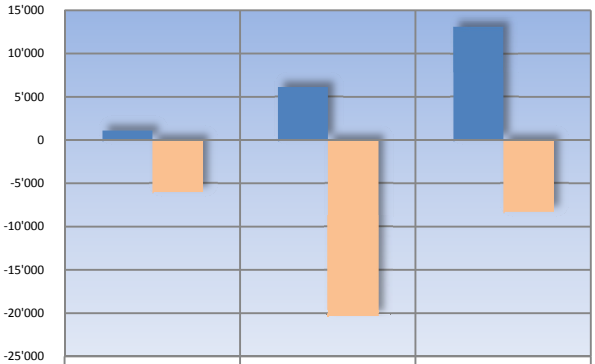
To become more specific about how these Gamma and Vega exposures emerge, we split these exposures into different moneyness and maturity buckets. For the maturity bucket, we split maturity into a grid of maturities below 30 days, between 30 and 90 days, 91 to 180 days, and above 180 days. As we only run risks in the two medium term maturity buckets, Figure 7 and Figure 8 shows the average daily Gamma and Vega exposure for two maturity buckets. We also show for each bucket the long and short position, illustrating that we play both sides of volatility risk.

Figure 7: Average Gamma per Maturity (in CHF)



	30 - 90 days	91 - 180 days	> 180 days
long	21'480	53'235	73'129
short	-125'611	-130'391	-36'602

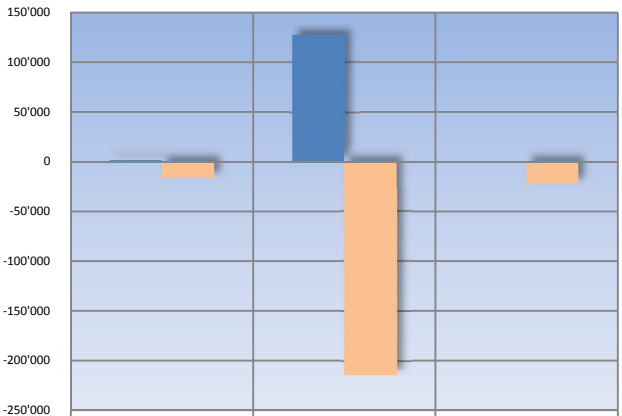
Figure 8: Average Vega per Maturity (in CHF)



	30 - 90 days	91 - 180 days	> 180 days
long	1'060	6'089	13'117
short	-6'014	-20'381	-8'334

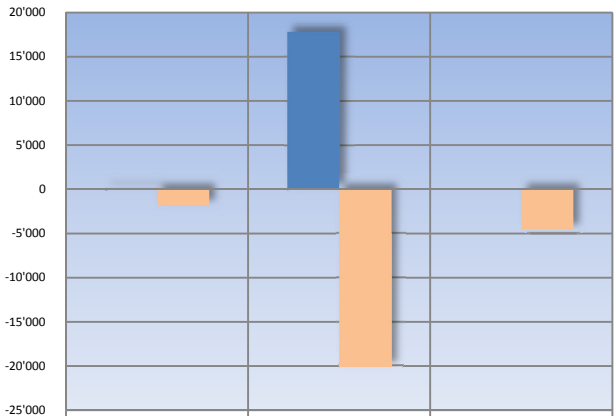
For splitting up Gamma and Vega exposures across moneyness, we consider moneyness buckets from 70% to below 90%, 90% to below 110%, and above 110%. Again, we plot the long and short Gamma and Vega positions. Examining Figure 9 and 10, we observe that most of the short (and long) Gamma and Vega risks are allocated in the at-the-money bucket.

Figure 9: Average Gamma per Moneyness (in CHF)



	70% - 90%	90% - 110%	110% - 130%
long	1'338	127'672	0
short	-16'561	-214'543	-22'479

Figure 10: Average Vega per Moneyness (CHF)

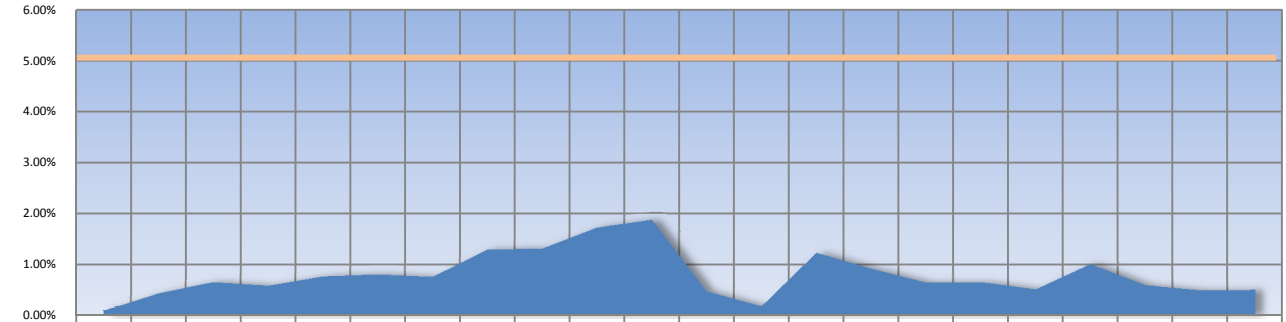


	70% - 90%	90% - 110%	110% - 130%
long	140	17'827	0
short	-1'861	-20'141	-4'593

Risk Exposure

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 is based on the Delta, Gamma, and Vega exposure. For the end-of-day risk figures we use a full-valuation method, which takes into account the whole covariance matrix defined by the price and volatility risks.

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



	1	2	5	6	7	8	9	12	13	14	15	16	19	20	21	22	23	26	27	28	29	30
Max Loss	0.10%	0.44%	0.66%	0.59%	0.77%	0.81%	0.76%	1.29%	1.31%	1.72%	1.87%	0.48%	0.19%	1.23%	0.92%	0.65%	0.66%	0.52%	1.01%	0.60%	0.50%	0.51%

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 October, together with the maximum loss tolerance level of 5%. Our maximum loss exposure has peaked in October at the level of well below 2%. On most days, the maximum loss has stayed significantly below 1%, averaging a 0.8% maximum loss level for the whole month.

As with all risk management methods, they will not provide us with perfect foresight on what will happen in the future. However, a sound risk management practice provides valuable guidance and we do our best to bring the latest methods and methodologies from the forefront of academic research into our risk management process. We also recognize that both science and art are necessary (but not sufficient) conditions to successfully steer a fund through these uncertain times. For further details or for more information, please contact us:

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