Riverplus Fund

MONTHLY INVESTMENT REPORT
April 2010

SHARE PRICE (per April 30, 2010): 102.29
NAV (per April, 2010): CHF 60'101'775

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%
2010	0.67%	0.23%	2.02%	-0.72%									2.20%

A Comment on the Negative Performance

Before we comment on the negative performance over the past month and the top three losers that caused this loss, we notice that the Swiss equivalent to CBOE's VIX index, the SMI volatility index (V3X), moved from a low of 12.70 to a high of 22.5. These volatility indices are often regarded as investors' fear gauge.

In April, **OERL** witnessed a price increase of more than 90%. Furthermore, the 10 day realized volatility moved from a low of 21.5% to 157.3%. These fierce and surprising moves caused a large loss in our books although our delta and gamma short positions were moderate. After the capital increase, which is scheduled for end of May, we expect less violent moves in this title and also a return of liquidity.

The current uncertainty surrounding the bailout plan for Greece has had a large impact on financials including **UBS**. There have been some significant intra-month swings between a low of CHF 16.3 and a top of CHF 18.6. In addition, the 3 month implied at-the-money volatility moved up from 29% to 38% by the end of the month. Sovereign debt crises could arise for similarly vulnerable nations across Europe and the situation may well spiral out of control.

In **UHR** we were hit by a sharp increase in implied volatility while realized volatility did not change much. Furthermore, although implied volatility increased, there was no trading volume in the option market. We therefore reduced our Gamma exposure in this title by 30%.

Key Ratios*

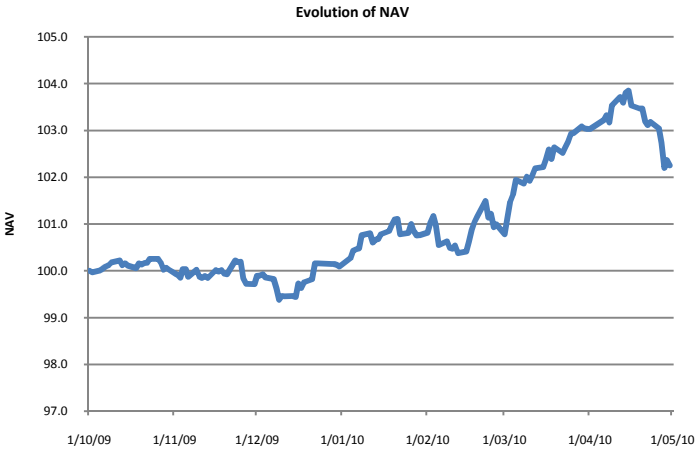
	Since Inception (Oct 1st, 2009):	April 2010:
Annualized Volatility	2.52%	3.37%
Sharpe Ratio (bias corrected)[1]	1.51 (1.51)	-2.86 (-2.86)
Maximum Drawdown (daily returns)	1.59%	1.59%
Up vs Down Days	58%	45%
Shortfall Probability	42%	55%
Sortino Ratio	2.18	-3.47
Omega Ratio	1.28	0.63
Upside Potential Ratio	9.79	5.9
Top Three Performers		NOBN, ZURN, SMI
Top Three Losers		OERL, UBS, UHR

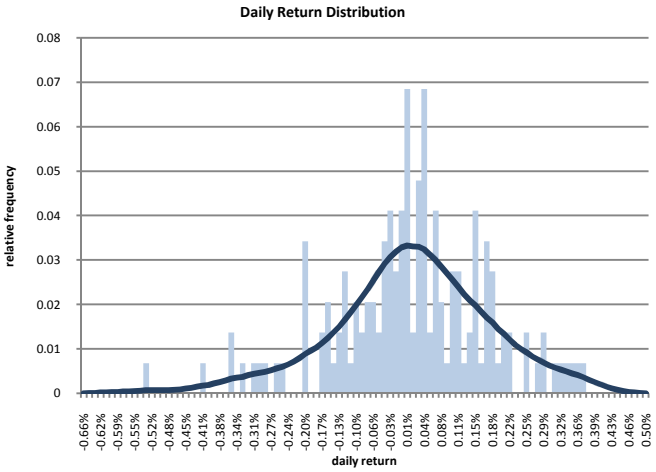
*To calculate the Sharpe Ratio and other key ratios we use the average 1 month CHF Libor rate over the respective time horizon as proxy for the risk-free rate. All numbers are based on daily NAV calculations and we annualize by assuming 253 trading days. The Maximum Drawdown can be loosely defined as the largest drop from a peak to a bottom in a given time period. The Shortfall Probability measures the probability of the fund return to be smaller than the risk-free rate. The Sortino, Omega, and Upside Potential ratios are investment ratios based on lower partial moments. The Sortino ratio is an adjusted Sharpe ratio for which the volatility generated by negative returns (semi-volatility) is taken into account. The Omega Ratio is a probability weighted ratio of gains to losses relative to the risk-free rate. The Upside Potential Ratio is calculated as the ratio between the expected upside and semi-volatility.[2]

[1] Our bias-corrected Sharpe Ratio is based on an annualization correction and a Newey-West adjustment for the standard deviation of returns that takes into account serial correlation and heteroscedasticity, both of which can lead to potential biases in the traditional Sharpe Ratio calculation. See, Lo, Getmanksy, and Makarov (2004), "An Econometric Model of Serial Correlation and Illiquidity in Hedge-Fund Returns," *Journal of Financial Economics*, 74, 529–609.

[2] For more details on the above performance measures, we refer the interested reader to the papers of Sortino, van der Meer, Plantinga (1999), "The Dutch Triangle," *Journal of Portfolio Management*, 25, 50-57; Keating and Shadwick (2002), "A Universal Performance Measure," *Journal of Performance Measurement*, 6, 59-84; Kaplan and Knowles, "Kappa: A Generalized Downside Risk-Adjusted Performance Measure," *Journal of Portfolio Management*, 8, 24-54.

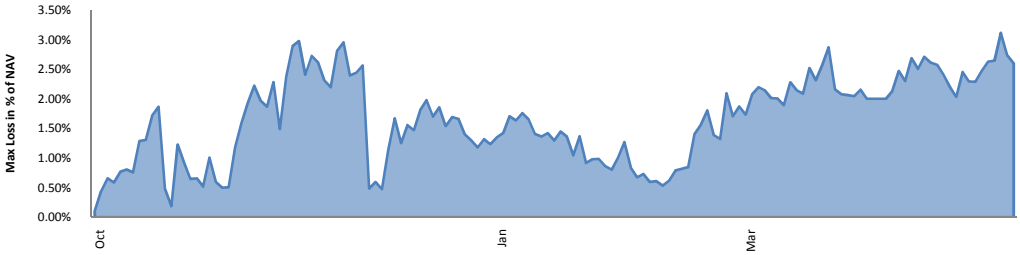
Evolution of NAV and Distribution of Daily Returns[3]





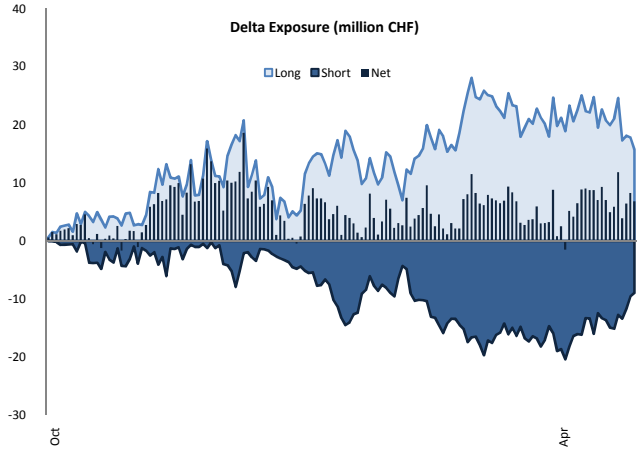
Risk Exposure

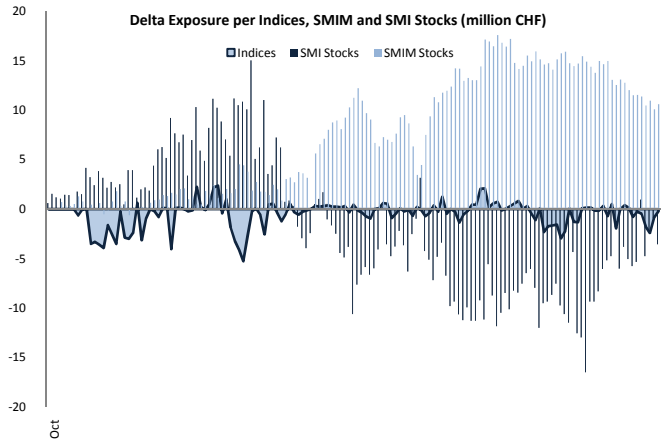
Our risk allocation for the different strategies within Riverplus is based on the maximum loss principle. In contrast to the commonly used Value-at-Risk, Maximum Loss is a coherent risk measure.[4] As an overall acceptable risk exposure on the fund level, we fix a monthly maximum loss of 5% at the 95% confidence bound.



Delta Exposure

The figures below show our Delta exposures. On the right, we plot our long and short Delta positions as well as the resulting net Delta position, expressed in millions of CHF. The left figure illustrates the Delta exposures for our index positions and for the positions in SMI and SMIM stocks.



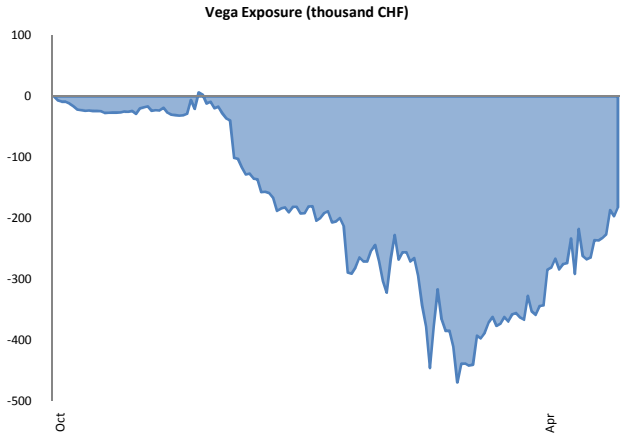


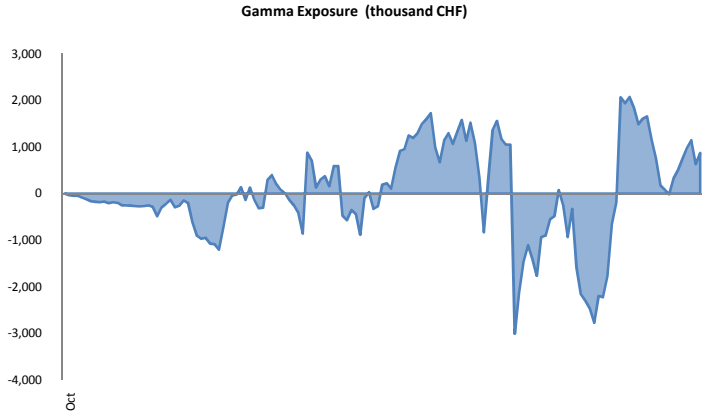
[3] For the daily return distribution, we plot the histogram together with a non-parametric density estimator based on Gaussian kernels.

[4] See, Artzner, Delbaen, Eber, Heath (1999), "Coherent Measures of Risk," *Mathematical Finance*, 9, 203-228.

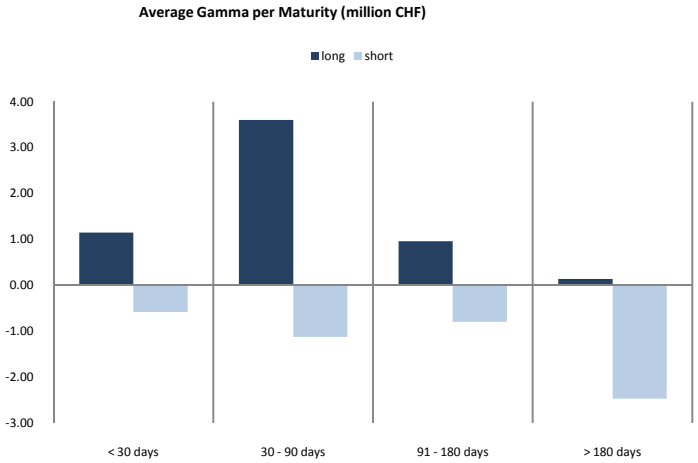
Gamma and Vega Exposure

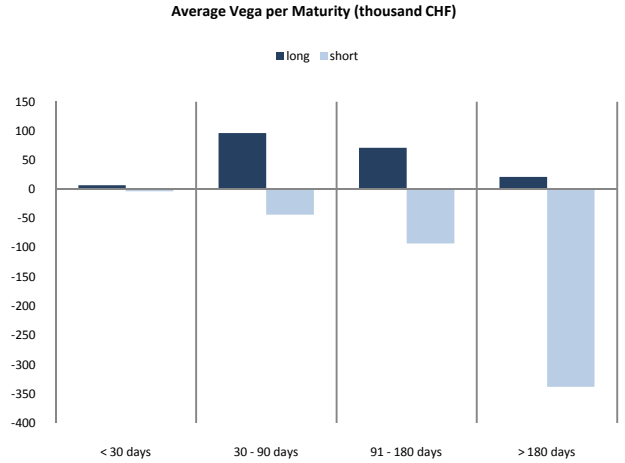
A large part of the risk capital is allocated to active option-based strategies. Therefore, Gamma and Vega exposures play a prominent role in our risk management and need to be monitored carefully. The figures below plot the daily net Gamma and Vega exposures since inception.

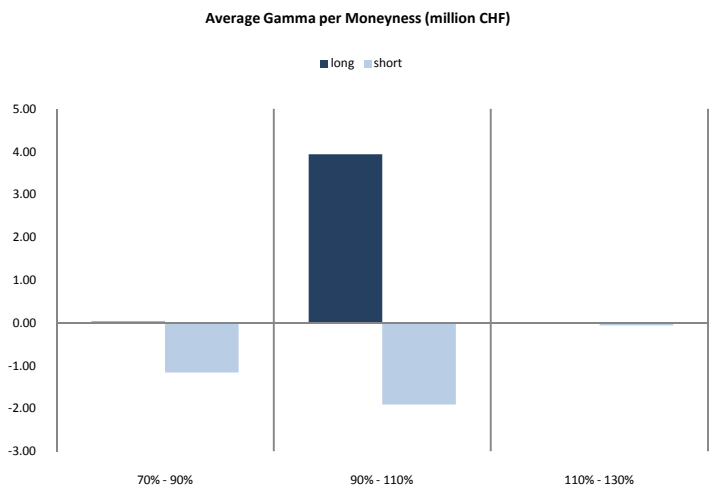


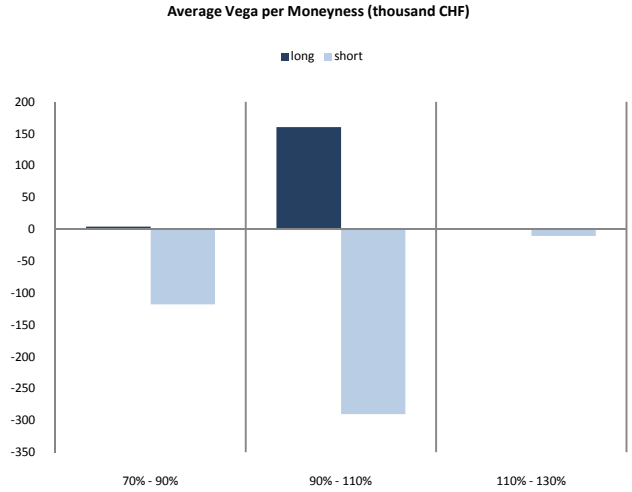


To provide more information about the nature of our Vega and Gamma exposures, we plot the maturity and moneyness buckets for the average daily Gamma and Vega positions in the figures below, split up into long and short positions.



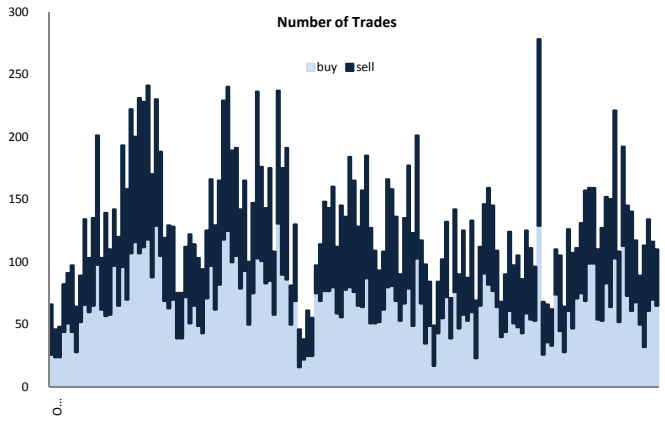


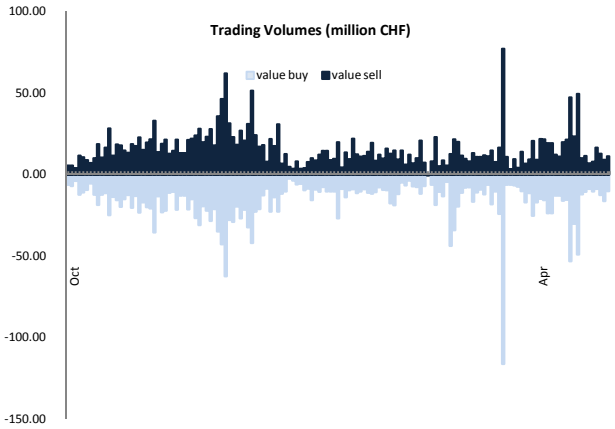




Daily Trading Activity

Riverplus is committed to a highly active trading strategy. Below we report the number of trades made for each trading day since inception and the daily values of the buy and sell trades (in millions of CHF).





Additional Information

Strategy	Long-Short Delta Gamma Vega	**Assets under Management** (April 31, 2010)	60.1 million
NAV per Unit	102.29	**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 contact@lambdacapital.ch or visit www.lambdacapital.ch