

Riverplus Fund

MONTHLY INVESTMENT REPORT January 2010

SHARE PRICE (per Jan 31, 2010): 100.76
NAV (per Jan 31, 2010): CHF 59'215'382

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%												0.67%

Daily Trading Activity

Riverplus is committed to a highly active trading strategy. For an overview, Figure 1 reports the number of trades made for each trading day during the first month of the year and Figure 2 plots the daily values of the buy and sell trades (in millions of CHF).

Figure 1: Number of Trades

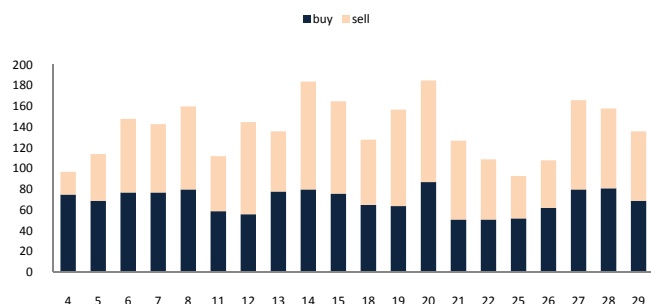
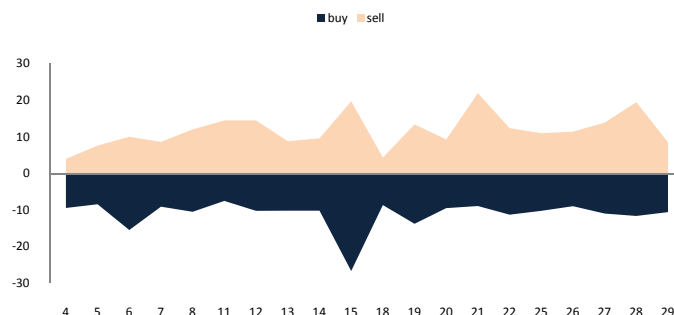


Figure 2: Trading Volumes (million CHF)



For the whole month of January, our trading activity averaged 138 trades and a volume of CHF 22 million per day, compared to an average of 139 trades and an average volume of CHF 37 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)

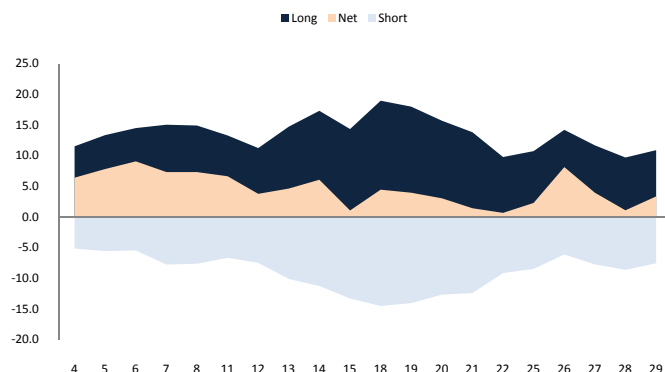
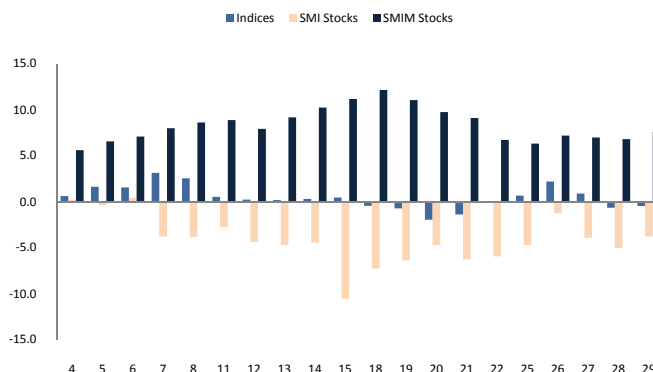


Figure 4: Delta Exposure per Indices, SMI and SMIM Stocks (million CHF)



By inspection of Figure 3, we note that in comparison to previous months, we considerably reduced the overall size of our net delta positions. This reduction is partially motivated by an increased exposure in volatility, which we kept at a constant and high level (see Figure 6). In addition, shortly after President Barak Obama's speech on Thursday, January 21, we further reduced our delta positions as Obama's plan to change the way big banks make their money plunged stock markets back into fear and uncertainty. Fear and uncertainty in global markets have further been nourished by the gaps in the Greek ledgers, which are of epic scale with a public deficit for 2009 of 12.7 per cent of output, nearly double what the previous government has claimed.

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 January. We were careful enough to move to a Gamma Long position after January 21 to control to potential impact of the increased market uncertainty caused by President Obama's speech.

From Figure 6 we see that our Vega position has stabilized at a level around CHF 250,000 Vega Short, while in the previous months we were monotonically increasing our Vega risk. This stabilization is a direct consequence of the fact that we have now positioned ourselves strategically with a sizeable option book, which first had to be actively developed over the course of the last couple of weeks.

Figure 5: Gamma Exposure (million CHF)

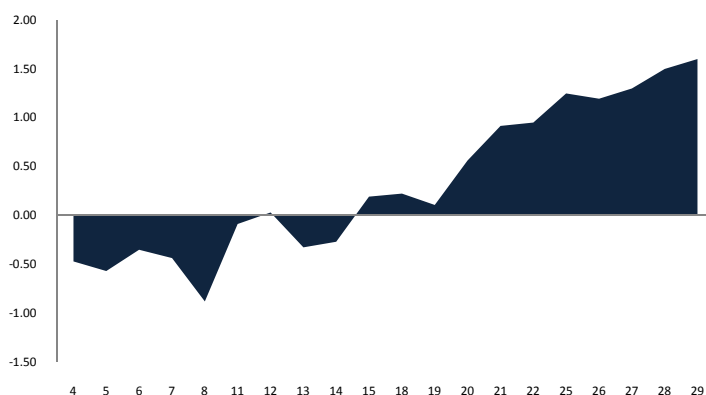


Figure 6: Vega Exposure (thousand CHF)

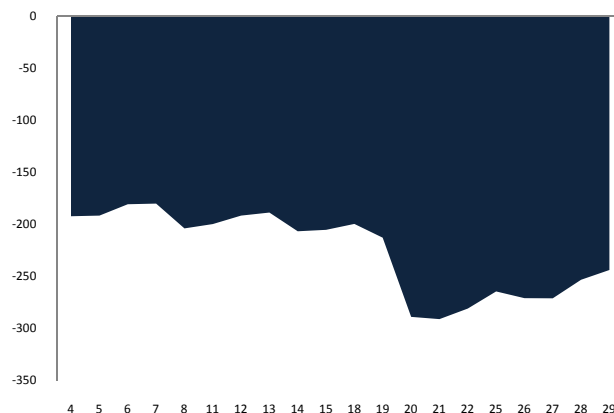


Figure 7 and Figure 8 show the average daily Gamma and Vega positions for the maturity buckets. For each bucket, we also show the long and short position, illustrating that we play both sides of volatility risk. From these figures, one might infer that our strategic view is based on the notion that long term volatility will tend to decrease in the mid- and long-term, while the volatility at the short end may still increase in the time ahead. This positioning also helped us to minimize the impact of Obama's speech on our overall short Vega position, since the new market fear mainly manifested itself in higher volatilities at the short end of the curve.

Figure 7: Average Gamma per Maturity (million CHF)

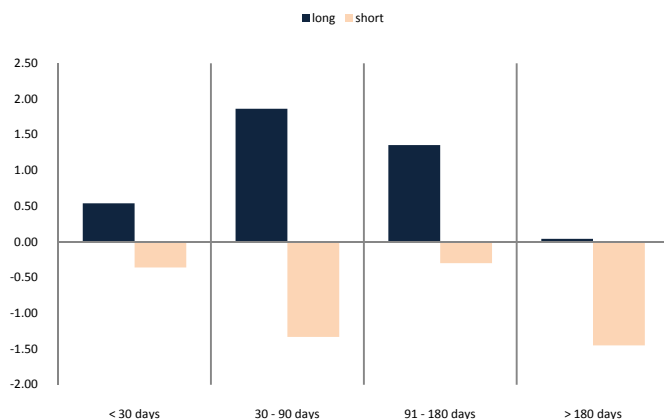


Figure 8: Average Vega per Maturity (thousand CHF)

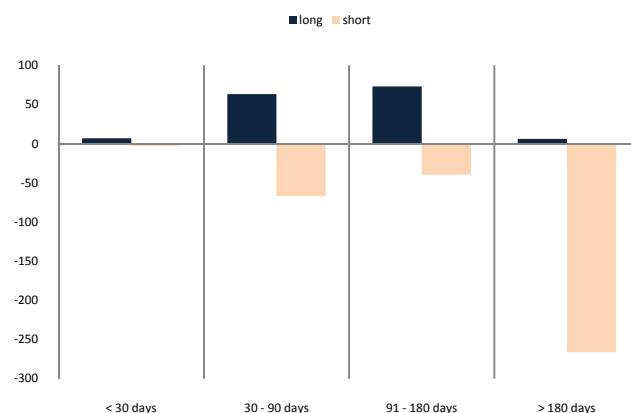


Figure 9 and Figure 10 show the average daily Gamma and Vega positions for different moneyness buckets, again split up into long and short positions. At the backdrop of the current market uncertainty, most of our option positions are centered around at-the-money exposures. Only a very small fraction of vega and gamma risk is generated through out-of-the money positions.

Figure 9: Average Gamma per Moneyness (million CHF)

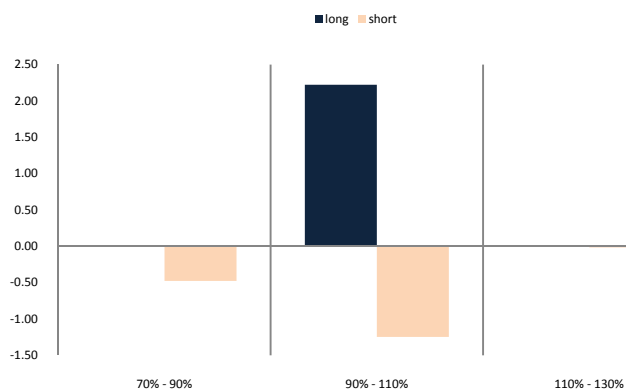
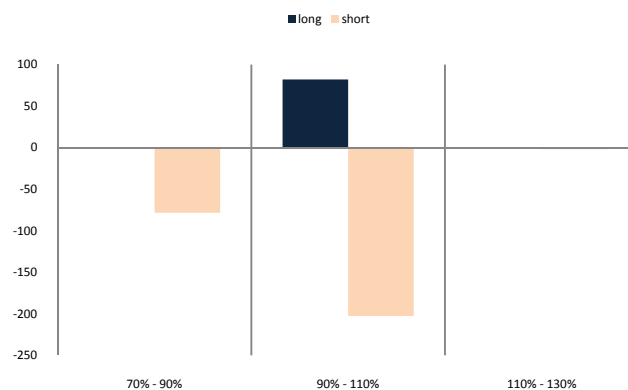


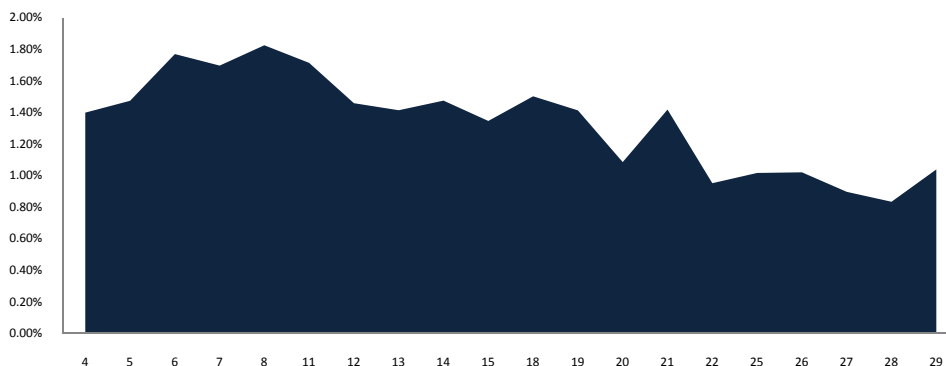
Figure 10: Average Vega per Moneyness (thousand CHF)



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)



As an overall acceptable risk exposure on the fund level, we fix a monthly maximum loss of 5% at the 95% confidence bound. Figure 11 shows the evolution of the fund's maximum loss for each trading day in January. For the whole month, we kept the maximum loss level below 2%. The reduction in the risk level compared to previous months was mainly driven by the reduction of our delta exposures.

Riverplus Fund – Additional Information

Strategy	Long-Short Delta Gamma Vega	Assets under Management (January 31, 2010)	59.2 million
NAV per Unit	100.76	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 1 st , 2009	Share Class	CHF

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