



Pulsar FI Macro is a systematic fixed income fund. Using a combination of momentum, volatility and yield curve macro strategies, it invests via futures and options aiming to achieve absolute returns with limited drawdowns

Monthly ROR in %

2010	-2.01	-0.07	2.61	4.97	1.91	1.58	6.32	1.30	-3.29	-4.27	-3.41	5.15
2011	2.58	2.08	0.14	1.63	-0.12	-2.62	7.84	6.59	5.03	-1.88	-2.59	19.84
2012	-0.60	0.29	-2.52	2.53	5.89	-0.51	4.50	0.03	-0.60	-1.86	-0.25	6.30

Investment Outlook

Central bankers around the globe are speeding up the debt monetisation process. With Abe's recent victory in Japan, everybody is now aligned. The Fed has been buying its committed \$40bn monthly quota of MBS and Draghi has managed to calm down the most apocalyptic forecasts of a disorderly debt restructuring in the Euro Area. "Job creation", "growth", "transmission mechanism"... The arguments come in all shapes and sizes but it would seem that for everybody the solution is the same. Inflation has never been easier!

Central bankers do not like exchange rate volatility. But now, if they inflate in tandem, they could avoid the collateral damage to exchange rates. Nobody will be embarrassed. The task is to create inflation while keeping expectations on check, in this way debt can be reduced in real terms and at the same time keeping refinancing costs down. Mark Carney, the governor designate of the Bank of England has put it

in plain English: "Nominal GDP Targets".

If GDP in nominal terms grows at a fastest rate than nominal interest rates then the deleveraging of the economy will be achieved and nobody will get hurt. Mission impossible? We have been arguing since many years that the near zero real interest rates in the Developed World reflects a low value of marginal productivity of capital. The 5 year rate is at 0.7% and this still does not create enough positive NAV projects to jump start the business cycle. New credit can not stimulate real investments any further.

So this is not about real growth, but just nominal growth. The new paradigm in monetary policy is about reducing Debt/GDP ratios and possibly generating a "feel good effect" to increase consumption, as Bernanke has publicly stated. The financial system is still deleveraging so central bankers are lending to final consumers directly by buying mortgages. We should soon expect a Central Bank Credit Card program!

Our view then is that we are close to a regime shift.

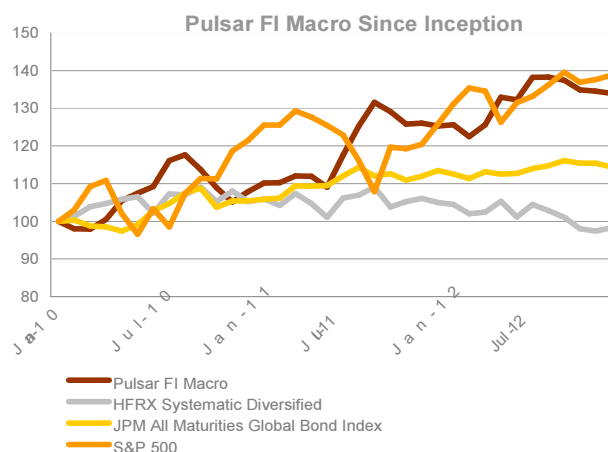
Yield curves are about to steepen. Currencies are difficult to predict as every central bank is pushing on the same direction, but opportunities will abound and volatility will likely get richer. In the near term we are negative on the yen and prefer the Dollar to other currencies from a risk/reward perspective.

Long rates continued the same trendless pattern in December as we have experienced in the last few months, oscillating in the 1.7-1.9% range and hurting momentum based strategies. Gains in the US flatteners were partially offset by losses on the JGB steepener. As the new liquidity programs start to affect Policy data, our models are shifting towards a steepening of the curves, especially in the US in the 5-2y range as well as in the Eurodollar 2y-6m. During the past QE rounds we have seen increased volatility in rates and steepening curves. We are consequently favouring extreme event hedges as well.

Performance Statistics

	Last 12 Months	Since Inception
Annualised Return (%)	6.30	10.54
HFRX Systematic Diversified	-7.40	-0.61
JPM Global Bond Index	2.25	4.72
S&P 500	15.22	11.88
Volatility (%)	8.67	10.79
HFRX Systematic Diversified	7.52	10.88
JPM Global Bond Index	3.30	5.58
S&P 500	10.53	15.29
Maximum Drawdown (%)	-3.11	-10.58
HFRX Systematic Diversified	-8.18	-10.66
JPM Global Bond Index	-1.85	-4.71
S&P 500	-6.71	-16.49
Sharpe Ratio (X)	0.72	0.97
HFRX Systematic Diversified	-0.99	-0.07
JPM Global Bond Index	0.66	0.83
S&P 500	1.44	0.77
Sortino Ratio (X)	2.07	2.24
HFRX Systematic Diversified	-1.82	-0.15
JPM Global Bond Index	1.80	0.95
S&P 500	1.54	0.88

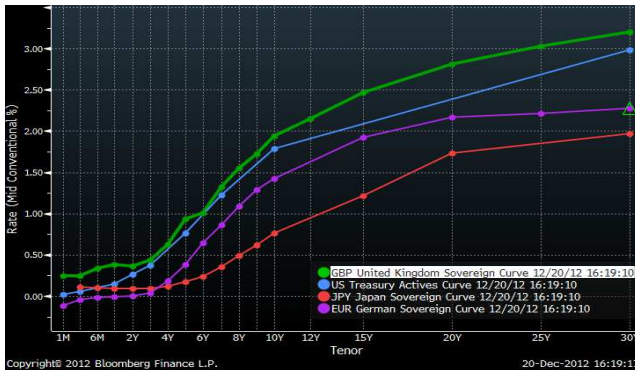
Source: CrossBorder Capital



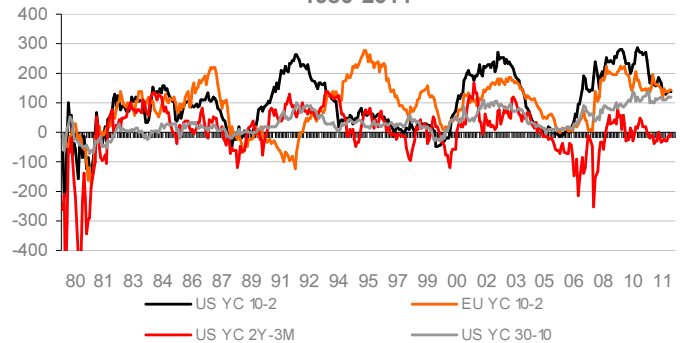
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS



Yield Curves



US and German Selected Yield Curves
1980-2011



Other CrossBorder Capital Funds

Fund	Share Class	ISIN	November	Last 3 Months	Last 12 Months
CrossBorder Capital Pulsar Absolute	A	KYG7303Y1070	-2.08	-2.08	2.19
CrossBorder Capital Pulsar EM	C	KYG7303Y1567	1.97	1.98	11.33
CrossBorder Capital Pulsar Alpha	E	KYG7303Y1492	-2.25	-4.55	-8.77

Fund Details

Corporate: Cayman OEIC
Dealing: Monthly purchase and weekly redemption (5 business days notice)
Minimum: USD 100,000
Fees: Management Fee: 1.00% p.a.; Performance Fee: 20% over 5% threshold

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