

Cassandra Does Tokyo

Mostly original content that examines financial surreality in equity markets in general, and the Japanese Stock Markets in particular.

Monday, August 11, 2008

Dear Investor....

**ACME Systematic Leveraged Macro Momentum Fund LP
321 Overprice Street
Greenwich, CT
00573**

Dear Investor,

This letter is to inform you that the wheels have come off of the proverbial wagon at ACME Systematic Leveraged Macro Momentum Fund LP, and that the same awesome thematic portfolio that made you feel (in the first half-year) as if you'd become very rich in comparison to those sucking wind on their leveraged MBS portfolios or Japanese Small-Cap Value Funds, has, quite literally, spontaneously combusted in our faces.

Our long-oil (PBR, SU, SWN), long coal (MEE, BTU), long fertilizer (POT, MOS), and long iron ore (CLF, RIO) positions have been crushed (no pun intended), and though we remain hopeful going forward as the story remains "in tact", our models have forced us to sell some in response to prevailing price action. Our offsetting shorts in selected financials (MS, BLK, GS, and LM) have not fared as we expected, while our core retail and consumer discretionary shorts in AZO & URBN, DECK have quite literally been lodged deeply and inexplicably in an unmentionable orifice.

If that were all we'd not be too sullen, all things considered, but unfortunately our short US dollar positions (vs. everything), our JPYNZD & CHFAUD carry trades have also not performed to forecasted expectations, and both our our long-only, and zero-exposure long vs. short commodity baskets have imploded with a rapidity that would even frighten Taleb to vows of silence. Oh, and if that weren't enough, our gold and silver longs, too, have gone south as if trying to re-embed themselves in the ground, whilst the short Russell-2000 ETFs we've been using as a hedge have been behaving all-too priapically. These losses of course are not as bad - relatively speaking - as some of our peers (who regretfully are no longer in business) and should of course be viewed in the proper context of our delft avoidance of long exposure in the worst of the RMBS and CMBS sectors, our eschewing of becoming a CDO issuer/manager, and our resolve to avoid anything denominated in Icelandic Kronor. Unfortunately we still have a large (leveraged) position in high-yielding cov-

***lite* loans, US sub-prime credit-card-backed receivables for which we remain unable to obtain sensible bids at levels near to where our auditors and administrators agreed that we should pay our prior year's incentive fees. Only our long Japanese REIT portfolio and our unlisted fund of Spanish Olive Groves have held their ground, though regrettably we refrained from hedging the currency risk, and so these too, are now in the red and eroding rapidly.**

We have no explanation, since our trades are systematically based upon doing what others are doing (only, hopefully, faster... though, in this instance, not fast enough). Nor do we offer you apologies. You [presumably] knew the risks, and felt the glory (if only for a while). We do lament the the now-sky-high high-water mark, and the absence of performance fees (this year).

Finally, saving the best for last, we will be suspending redemptions as per the *Force Majeure* clause 6(c)-2 of the Private Placement Information Memorandum of the Fund. We trust you'll agree that only something supernatural could have torpedoed such a finely constructed portfolio put together by the best and the brightest Wall St. has to offer.

Yours sincerely,

**Hugh G. Fallis - Managing Partner
ACME Systematic Leveraged Macro Momentum Fund LP**