



July 2, 2010

To LJM Clients:

I am happy to report excellent trading gains in June – in fact, June represents one of the best months in over two years. These returns result from the trading discipline demonstrated by LJM traders during the many periods of heightened volatility experienced this year. Just as important, LJM clients showing investment discipline through these rocky periods are now being rewarded with excellent returns as market volatility has stabilized.

All three LJM trading strategies are now demonstrating excellent performance in 2010 and are delivering results consistent with their objectives:

- LJM Aggressive continues as the absolute return engine – up almost 10% while the S&P has declined (6.6%)
- LJM P&G has delivered back-to-back positive monthly returns despite the dramatic range in volatility exhibited by the S&P
- LJM Moderately Aggressive continues its remarkable track-record now averaging above 20% compounded annual return since inception in April2003

All LJM trading strategies now strongly lead the S&P in YTD performance as summarized by the following table:

PERFORMANCE OF LJM PRODUCTS AGAINST THE S&P INDEX

	LJM Aggressive	LJM Moderately Aggressive	LJM P&G	S&P 500
1998	-10.16% ¹	n/a	n/a	9.23% ¹
1999	60.52%	n/a	n/a	21.04%
2000	-3.07%	n/a	n/a	-9.10%
2001	21.02%	n/a	n/a	-11.89%
2002	-4.24%	n/a	n/a	-22.10%
2003	68.20%	22.14% ²	n/a	28.68%
2004	53.83%	34.03%	n/a	10.88%
2005	42.21%	30.59%	n/a	4.91%
2006	37.72%	30.50%	4.33% ³	15.79%
2007	21.25%	25.89%	9.02%	5.49%
2008	-48.47%	-17.45%	8.87%	-37.00%
2009	50.02%	28.84%	8.74%	26.46%
2010	9.68%	5.16%	5.32%	-6.60%
Total Return	741.50% ¹	292.80% ²	39.28% ³	12.18%¹
Ave. Annual Return	18.89%	20.06%	8.25%	0.96%
Correlation	0.34808	0.39280	0.09835	1.00000

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. June 2010 returns are estimated.

Note 1: LJM Aggressive Strategy opened in July 1998, hence 6 months performance in 1998.

Note 2: LJM Moderately Aggressive Strategy opened in April 2003, hence 9 months performance in 2003.

Note 3: LJM P&G Strategy opened in May 2006, hence 8 months performance in 2006

I am also very pleased to introduce a new trading strategy called the **LJM Implied Volatility Signal Strategy**. The new strategy is designed to generate positive returns in periods of heightened volatility and therefore offers inherent negative correlation with the three traditional LJM trading strategies. Thus, the **LJM Implied Volatility Signal Strategy** coupled to the three traditional LJM strategies offers the opportunity to increase portfolio diversification. In addition, the strategy carries no overnight risk – all trades are closed daily.

The strategy began trading in June and we will be adding its performance track record to the website and performance materials. At introduction, the new strategy is available through individual managed accounts. In the second half of 2010 our plans are to introduce a commodity pool similar to the LJM Fund, L.P. I have a PowerPoint slide deck that can be supplied upon request. In the meantime, the following is a basic overview:

This strategy is based on a systematic short term trading model, and has 2 key components:

- I) A short term signal generation based on implied volatility,***
- II) Dynamical asset allocation among multiple US indices depending on their risk/reward characteristics and returns correlations.***

Risk is allocated to achieve a target volatility of returns subject to a given cap on leverage (maximum notional exposure) as described later.

Signals. Short term implied volatility surfaces are a reflection of the near term market sentiment: rising implied volatilities identify a market nervous about a down-move; conversely, diminishing implied volatilities point to an optimistic market. The same applies to skew: when implied volatilities for downside strikes increase relative to their at-the-money counterparts, the market sentiment is more bearish; when it decreases (downside strikes cheapen relative to ATM) the market feels more bullish.

It is very difficult to predict whether the information that will hit the market on a given day will be positive or negative, but even when the prediction itself is right, anticipating how the market will react is sometimes a roll of the die. However, implied volatilities contain a lot of information about how the market is likely to react in the short term to random events. This information is the basis for the signals used in this strategy's proprietary model.

At any point in time during the cash market trading hours (from 9:30 am to 4:00 pm US Eastern time) three kinds of signals are generated for each of the four major US equity indices: S&P 500, Dow Jones, Nasdaq 100 and Russell 2000 as well as Crude Oil. These signals may be to go long, short or do nothing. The actual traded instruments are the front month E-mini futures on of the indices and the front month for Crude Oil traded at the New York Mercantile Exchange.

Once a position is entered at a specific level, the optimal levels to exit (i.e., to take profits or close the position at a loss) are calculated through an optimization process using back testing of tick data. These levels may vary considerably across different volatility environments.

Since the predicting power of these signals is highest for short term positions, this strategy is applied intra-day and carries no overnight risk.

Risk Budgeting. Even if price correlations among the multiple underlying indices are very high, the correlations of returns when the model is applied to these instruments are substantially lower. Hence, one can decrease the strategy's total volatility while maximizing its expected return by dynamically allocating risk across the different instruments. Analogously to the calculations to optimize the profit-taking and stop-loss signals, back-testing informs the calculation of optimal allocations to the available underlyings.

Generally speaking, in high volatility environments notional positions are small and the stop-loss and take-profits levels are pretty wide. Conversely, low volatility environments require larger positions and tighter levels to exit trades. A cap on leverage is implemented to limit exposure to market gaps.