

CHILIKA MARKET COMMENTARY

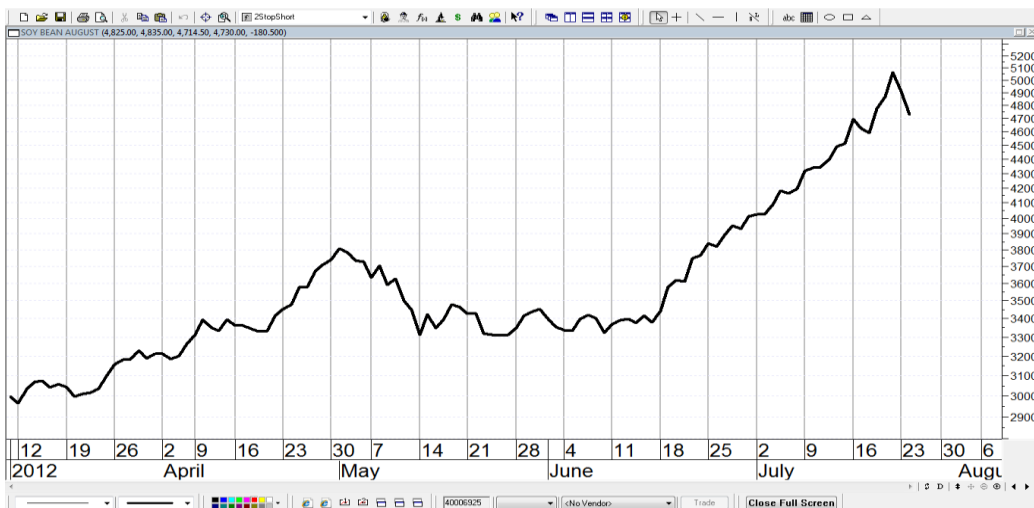
JULY 2012



ERRATIC MONSOON PLAYS CHAMPION

Performance in July was exceptional as the programs gained from massive bull runs across agricultural commodities. In July the gain was in excess of 35%!

AGRICULTURAL COMMODITIES - The upward move first took hold in Soybean, Soy oil, Sugar, Turmeric, Corn, Chana; and then Wheat, Cottons joined in. Latter all agricultural counters joined as happens in a massive bull or bear run. The said commodities future prices moved from 25 to 40% within 4 to 5 weeks reflecting market concern on deficient rains. The deficient rain problem is not only domestic. Major food producing nations like US is also going through a major drought in decades. Corn production in US (one of the largest in the world) has been hit by this drought causing price spikes across global future exchanges. These unexpected but inevitable price movements are the primary source of profitable setups which if exploited pays well.

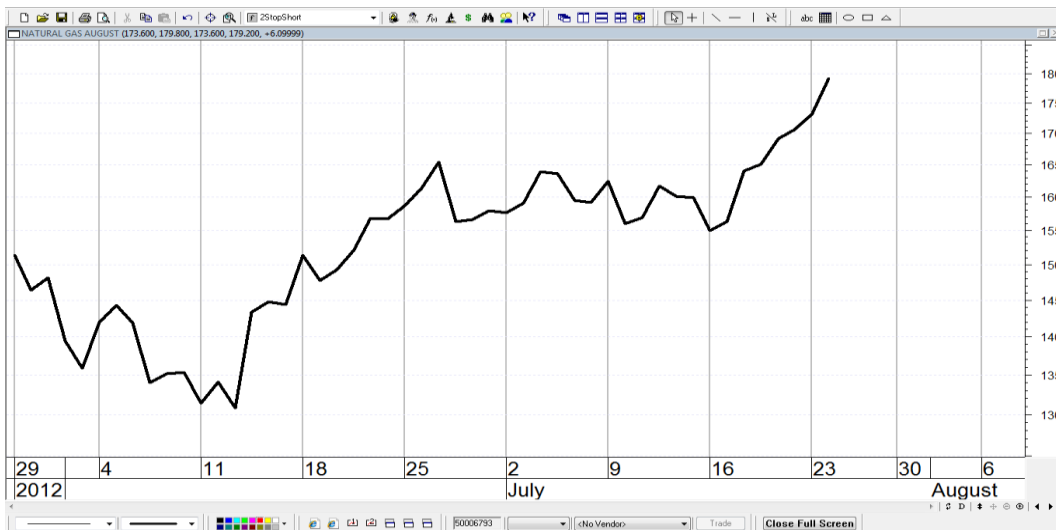


NCDEX SOYBEAN AUG Prices (from Apr to Jul 2012)



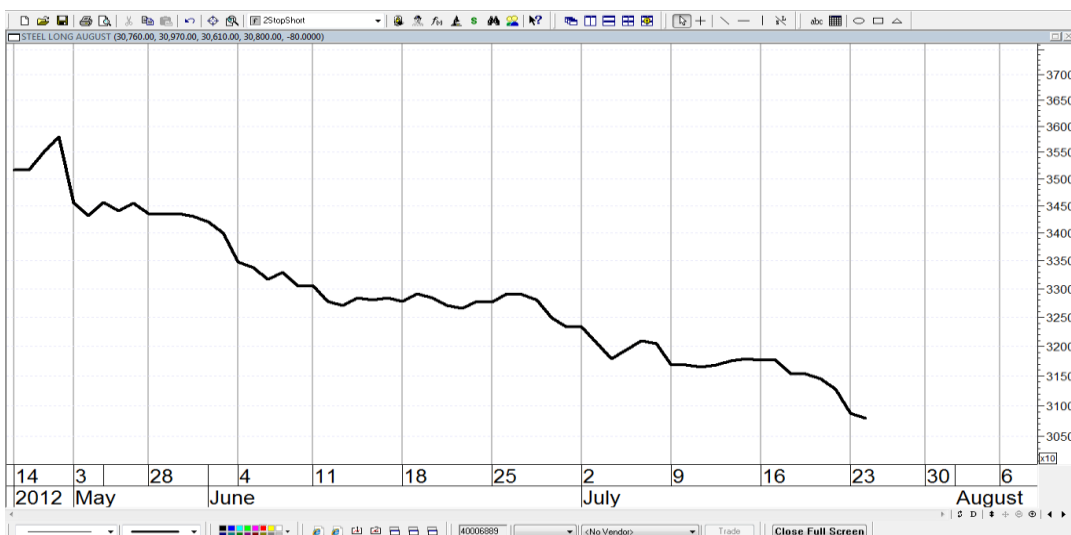
NCDEX MAIZE AUG Prices (from May to Jul 2012)

ENERGIES - The Energy market mainly *Crude oil* and *Natural gas* also firmed up but *Crude oil* latter gave up some of the gains.

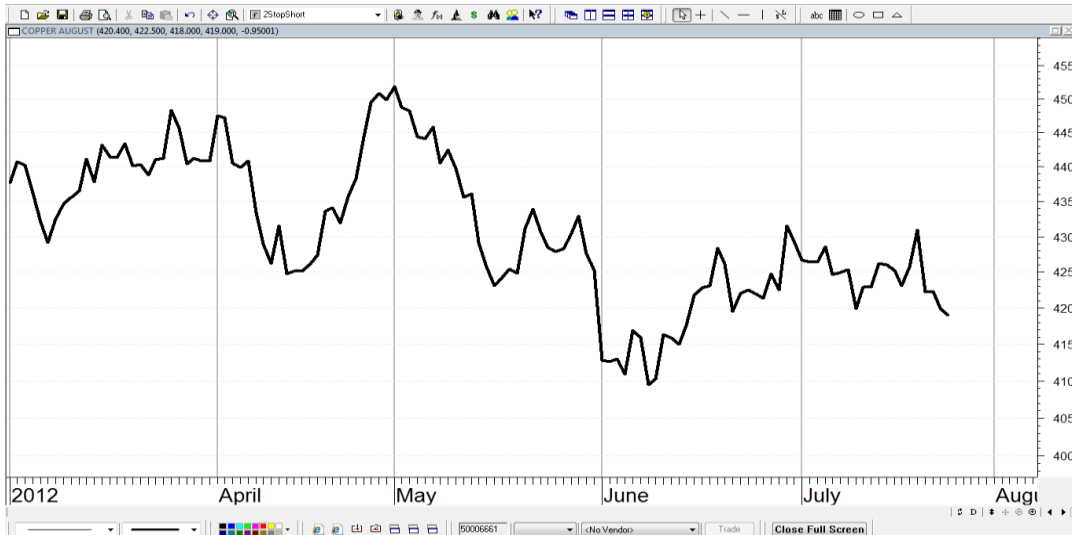


MCX NATURAL GAS Prices (from Jun to Jul 2012)

BASE METALS - In Base metals only profitable position was in *Steel* which continued its downward trend. Though its contribution is little it surely adds to overall performance. The other base metals mainly *Copper*, *Aluminium*, *Zinc*, *Lead* and *Nickel* are in a tight range bound for last few months providing almost no opportunity for any profitable setup. Further since these metals mirror international prices, the counter movements in Indian Rupee negate all trends in domestic prices resulting in the said range bound market.



NCDEX STEEL AUG prices (from May to Jul 2012)



MCX COPPER AUG prices (from Mar to Jul 2012)

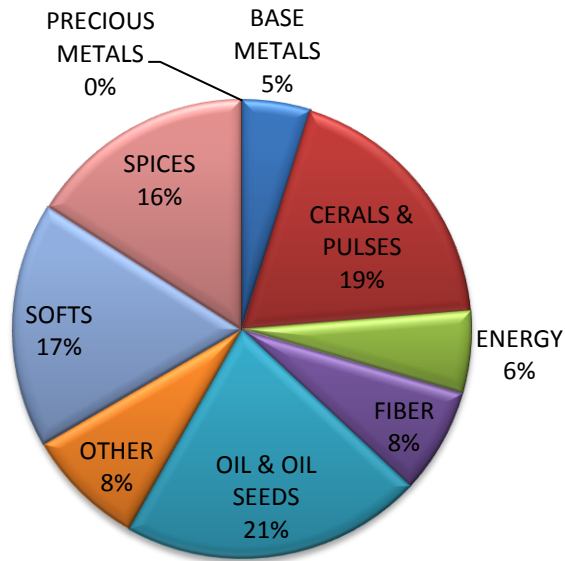
PRECIOUS METALS - Precious metals mainly *Gold* and *Silver* also enjoy the same fate as Base metals where the INR movements cancel out any trend development on domestic bourses. Our programs are designed to wait for the right setup before taking a position. This ensures that we are not whipsawed in a range bound market. This has prevented us in taking any position in precious metals segment at the moment.

CONCLUSION – After a difficult start of the year, performance has been steadily getting better as months pass. In India we have a very inflationary environment. Even though lately growth has faltered some extent there is no sign of let down in inflation. This is mainly driven by supply side constraints and poor management by food procurement agencies. Also because of steady loss in value of domestic currency, the import cost of goods gets costlier leading to imported inflation. In 2012, since the Chilika program started, it has been hard to make money from shorting agri counters. Most of our programs profits have been garnered from long positions. However irrespective of direction of price movement we are well posed to exploit any opportunity that may present itself.

We thank you for your continued support.

Sunil Kanati
Designated Partner

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS



Risk allocation for July

Performance to date*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2012	-6.00%	6.11%	6.29%	4.01%	4.19%	-4.60%	36.37%						49.46%

*all figures are net (after tax & fees, but approximate)

DISCLAIMER

The risk of loss in trading derivatives can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition.

The high degree of leverage that is often obtainable in derivatives trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

In some cases, managed accounts are subject to substantial charges for management and advisory fees. It may be necessary for those accounts that are subject to these charges to make substantial trading profits to avoid depletion or exhaustion of their assets.