

CHILIKA MARKET COMMENTARY

SEPTEMBER 2012



SCANT MONSOON GIVES WAY TO EXCESS

&

PRO REFORM(?) ATMOSPHERE CATERS TO HOPE

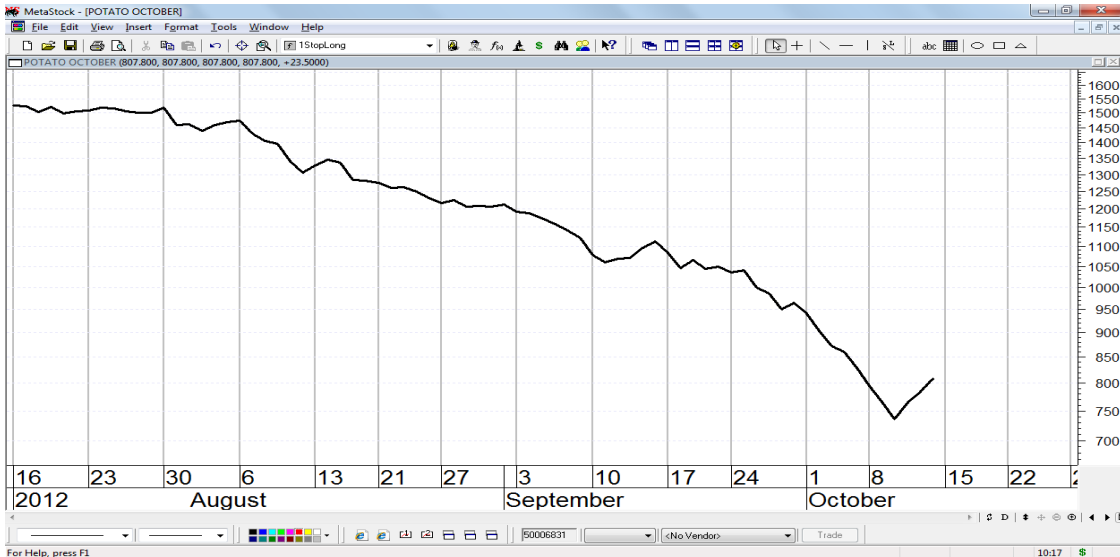
Performance in August was good and in September it was exceptional. Programs gained more than 3% and 22% in August and September respectively.

AGRICULTURAL COMMODITIES – After the last massive up move in July, price levels gave way to modest fall in August and then they made a quick fall in September. Agri commodities cutting across markets fell on an average 15 to 35% by September-end from its peak in July-end.

Oilseeds (*Soy oil, Crude Palm oil, Mustard seeds etc*) especially fell more. They lost more than 25% from its peak in a single sweep. These sudden price reversals were well captured by our programs. After a good up move like it happened in July, subsequent fall in prices tend to be very volatile and jagged. This generally makes trading very difficult. However this time, the fall was relatively smooth which helped our shorts to work like a piece of cake.

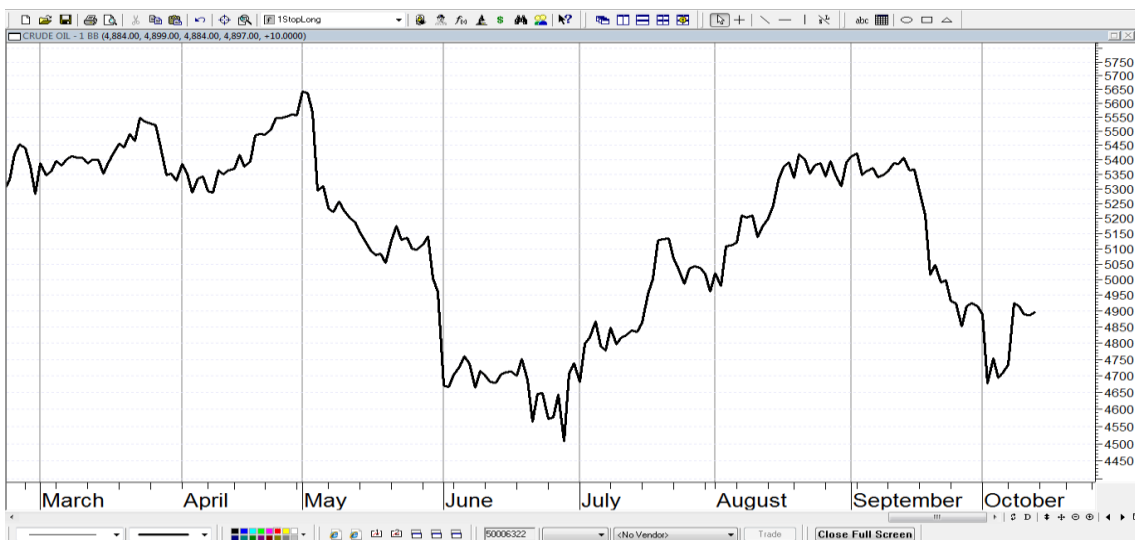


NCDEX SOYOIL 2 MONTHS FORWARD Prices (from Jul 11 to Oct 12).



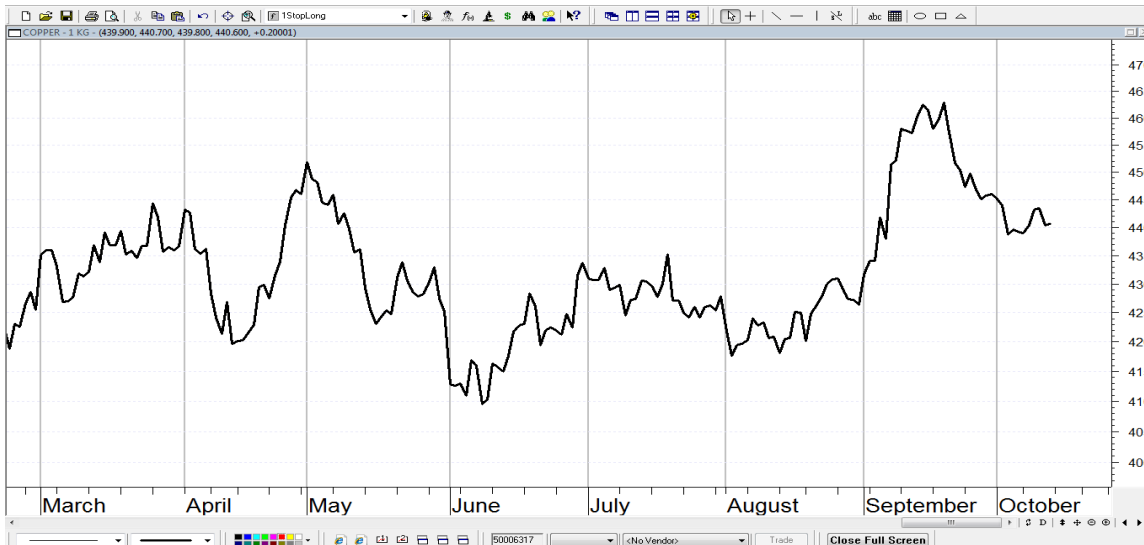
MCX POTATO OCT contract (from Aug to Oct 2012) (One of the juiciest trend. It is impossible NOT to make money from this!!!)

ENERGIES - The Energy market mainly *Crude oil* had a moderate fall in September where shorts were profitable but we were not so lucky in *Natural gas*. On the average the energy markets were slightly profitable if not much.



MCX CRUDE OIL 2 MONTHS FORWARD Prices (from Mar to Oct 2012)

BASE METALS - One of our favourite products, *Steel*, unfortunately was discontinued by the exchange from July. However this time we had built good Long positions in *Copper* but they all lost money. As you know because of sudden pro reform atmosphere created in India, the INR strengthened massively cancelling out the rise in *Copper*. This behaviour of base metal prices in Indian Rupee where any trend cancels out, has been playing out for quite a while now.



MCX COPPER 2 MONTHS FORWARD prices (from Mar to Oct 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. In August and September, we had sizable Long positions in both *Gold* and *Silver*. But here also like in base metals, the INR movement simply sabotaged our positions resulting in zero profit in these positions.



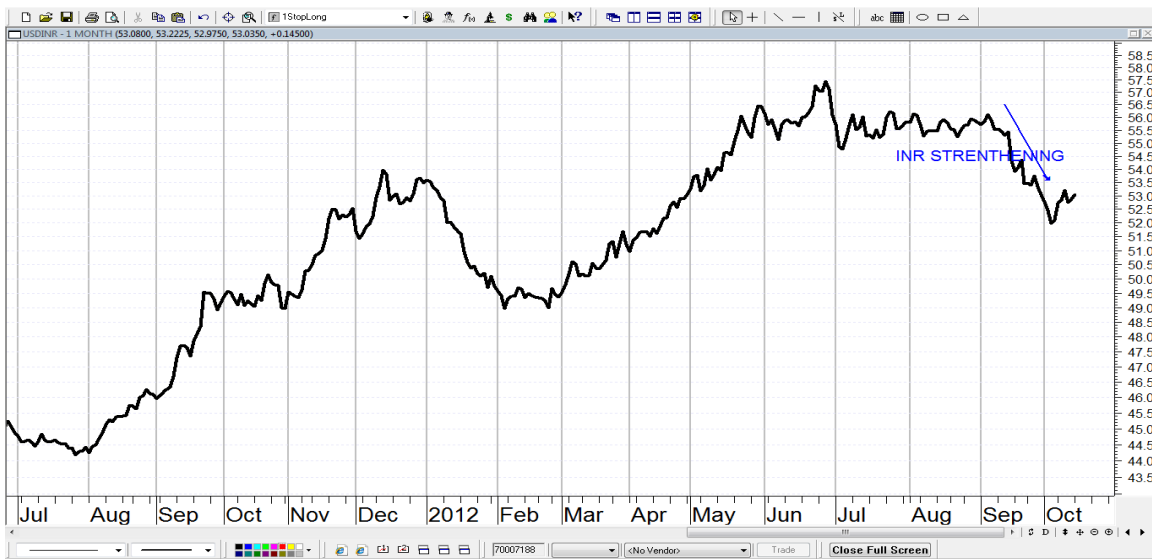
MCX GOLD 2 MONTHS FORWARD prices (from May to Oct 2012)

EQUITIES – We started Equity market trading in earnest from July. In that month though they were profitable, we had such a minuscule position that it was not worth reporting for. However since then exposure is steadily being increased in Equity. As of end of September, Equity has nearly 8% exposure overall. Because of so called reform push by the Govt, markets have tried to break out from a range bound atmosphere. How far this will go, nobody knows. Nevertheless if this new upward move takes hold, then Chilika is well poised to exploit the same. On a net basis, programs in Equity have gained around 4% since the start.



NSE NIFTY 1 MONTHS FORWARD prices (from Jul 2011 to Oct 2012)

CURRENCIES – We started Currency trading in August. Here also we started from a minuscule position and exposure is steadily being increased. As of end of September, Currency has nearly 4% exposure overall. On a net basis, programs in Currency too have gained around 4% since the start.



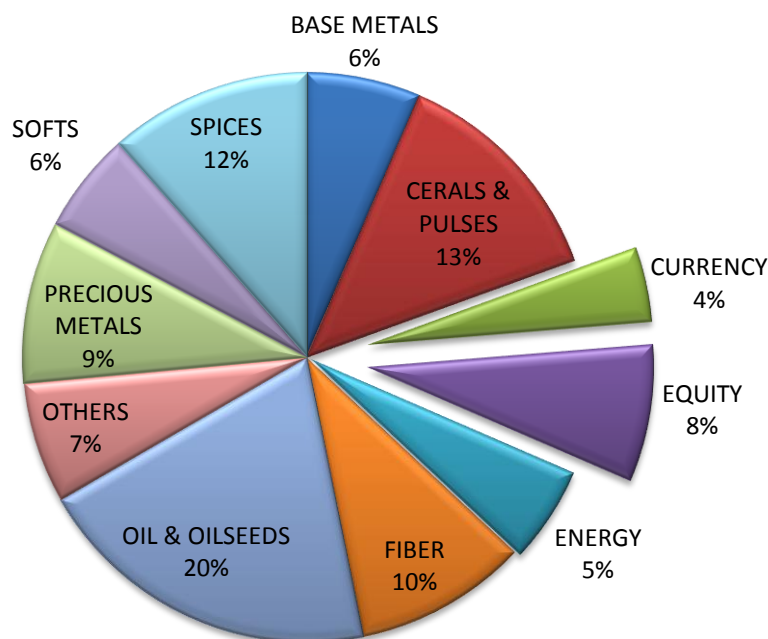
NSE USDINR 1 MONTHS FORWARD prices (from Jul 2011 to Oct 2012)

CONCLUSION – Generally speaking, 2012 has been very good. Chilika is already up by 78% for the year. Beginning of the year when Chilika started its operation, things were actually looking dim. However there can't be better turnaround then this. In short Good fortunes are smiling on us (at least as of now!). After the up move in July, August and September provided good opportunity to make money from fall in prices. This has helped returns in 2012 exceed our expectations. We look forward to continuation of this favourable market conditions.

We thank you for your continued support.

Sunil Kanati
Designated Partner

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS



Exposure Allocation end of September

Performance to date*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	-6.00%	6.11%	6.29%	4.01%	4.19%	-4.60%	36.37%	3.61%	22.79%				78.82%

*All figures are net (after tax & fees). They are approximate until close of financial year

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.