ELEVATION CAPITAL | VALUE FUND

1ST QUARTER 2009 REPORT

"Independent Thinking - Disciplined Investing"

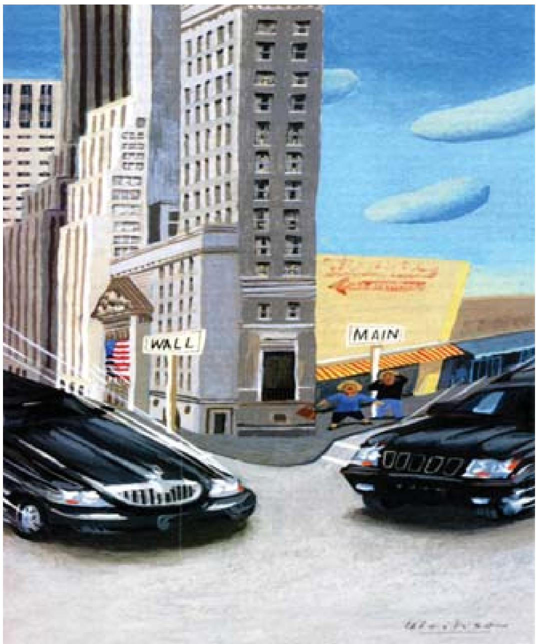
www.elevationcapital.co.nz

22 April, 2009

Dear Fellow Investors,

The Elevation Capital Value Fund (the Fund) reported a net return of -1.70% for the quarter versus the +1.44% of its benchmark (NZ CPI +5.00%). With the Fund only launched on 9 December 2008, and this being our first quarterly letter to fellow investors, such a short period of time offers limited insight into the long term prospects for our portfolio and an equally limited period of time for the Manager to discuss investments in any great detail.

However, it is useful to re-cap what a tumultuous period it has been, as Wall Street and Main Street continued their collision.



[Source: The New Yorker – 20 October, 2008]

Throughout the final quarter of 2008 and Q1 2009, "Mr. Market" once again highlighted his "manic depressive" nature. As we clearly stated when we launched the Fund, we sought to take advantage of his depressed state and the resulting negative feedback loop throughout December, January, February and early March. By the time the markets reached what at present seems like the point of maximum pessimism during Q1 2009, the S&P 500 was down -25.1% at its closing low on 9 March 2009. With the ensuing erratic behaviour by investors across the globe, we were able to build 29 individual stock positions, in 9 countries as at 31 March 2009. There were days where we quite simply felt like a "mosquito in a nudist colony"[1], with our only constraint being the time to appropriately screen and research potential investment candidates.

Where are we at now?

The future is always uncertain and therefore we have no ability to predict it. We are forced to deal with the present and make a reasonable assumption that normality will return at some point.

The recent break in what seemed to some like a never-ending negative feedback loop was the announcement by the Federal Reserve that it too would expand its quantitative easing operations. More simply put, the Fed will print money in order to provide the economy with sufficient liquidity.

While at present the concept of deflation permeates most major newspapers and economic commentators thought patterns, we are conscious when purchasing a stock for the portfolio to ask ourselves – "Will this protect us from inflation?" We feel this is a more important long term question to ask ourselves as investors given the outlook for money supply.

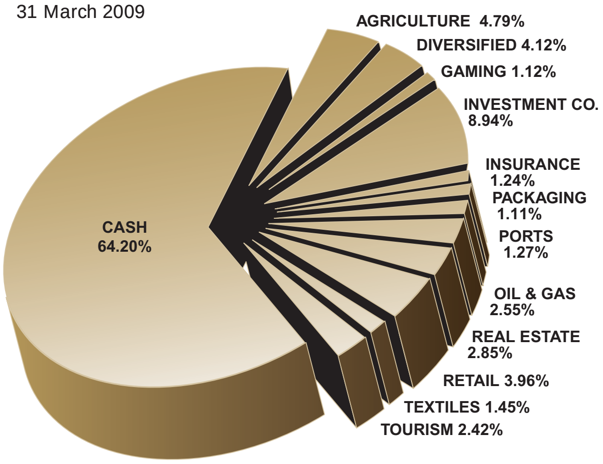
At the time of writing, we have only added one new position to the portfolio in April. This is within the oil and gas sector in Japan. We have also, increased an existing position within the same sector in the United States. The pace of the oil price decline in the second half of 2008 has offered up what we consider to be some compelling long term opportunities within the sector.

Our recent lack of buying in late March / early April is mainly due to an abundance of caution on our part given the aggressiveness of the recent rally and that value stocks have in many cases rallied significantly more than the S&P 500's +20% move from its lows at the time of writing. [We have seen the benefits of this month to date in our own portfolio.]

The Value Fund portfolio is constructed as follows:

Portfolio by Industry

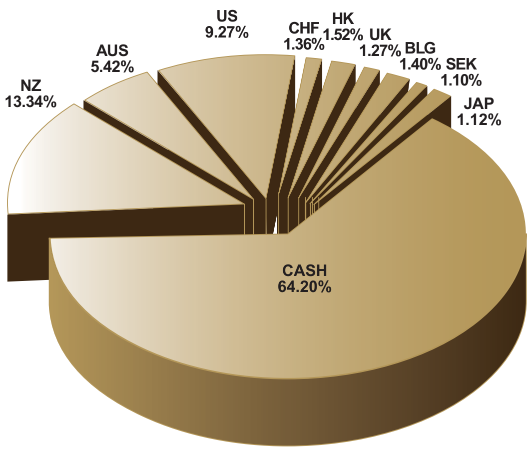
31 March 2009



Total number of securities: 29

Portfolio by Market

31 March 2009



Total number of securities: 29

Largest Exposure: Investment Companies – Why?

The listed investment company sector is our largest exposure by industry (excluding NZD Cash) due to the following common characteristics:

(i) All have management teams or controlling families who are heavily invested alongside ourselves;

(ii) All but one, are sitting on net cash balances – so they should be able to take advantage of the market weakness like ourselves;

(iii) All are internally managed so we are not paying fees to external advisors;

(iv) Most have control positions in the underlying investments and sit on the respective boards ensuring direct input into their investee companies;

(v) All have historically been able to grow net asset value at a greater than double digit rate for long periods of time – we see no reason why this cannot continue and possibly accelerate should a windup of any of these asset rich companies result;

(vi) We believe we are essentially purchasing a double discount – we are purchasing at a discount to current net asset value which in turn is deeply depressed due to market conditions as most of the portfolios are in publicly listed securities;

(vii) A number of these investment companies have family patriarchs or management teams who are well past retirement age. This may well be catalyst to value realisation in the years ahead.

Participation in Equity Raisings / Placements = NIL

By virtue of our investment criteria, the Value Fund is largely excluded from equity market placements. There have been several high profile equity raisings in New Zealand recently, Fletcher Building, Kiwi Income Property Trust, Freightways and Sky City – the Value Fund did not participate in any of these placements, given the primary purpose of each one was to reduce debt.

We fear debt like the plague – hence only 12 – 14 companies in New Zealand qualify for investment on our initial screen. All of these qualifying companies are by global standards small capitalisation, few are researched by broking firms and therefore most are inaccessible to other fund managers.

Given the depressed level of the New Zealand equity market due to the lack of confidence both in the economy and a dire lack of liquidity (that is purchasers of volume), we have been able to purchase some of these stocks at significant discounts to intrinsic value. However, we anticipate value realisation within these stocks will be slow due to the dearth of confidence. Therefore it is not unreasonable to expect that the international component of our portfolio will increase proportionately more and more quickly than the approximately 14.2% of our portfolio currently invested in New Zealand.

Impact of Currency

The Fund is currently unhedged in relation to our foreign currency denominated holdings as we detailed in the 31 March 2009 Month End Summary. Over short periods of time this can have a negative effect on performance, and it is important for investors in the Fund to be aware of this when reviewing short term performance metrics.

During March a substantial rally in the New Zealand dollar versus all major currencies (e.g. +11.72% vs the USD alone) had a negative impact on the funds performance of approximately 2.25%.

While over long periods of time (5 – 10 years) currency impacts on the Fund can be expected to be muted, it is the short term "noise" that investors need keep in perspective. The Fund's investment mandate says the Manager will "seek" to hedge any currency exposure greater than 10% of total assets. At present, our focus is on investigating the costs of hedging, which over long periods of time can be significant.

We will continue to update investors on our currency exposures both on a monthly and quarterly basis.

The Importance of Understanding

We invest in businesses on a global basis. It is arguably one of the most important fundamentals in equity market investing that investors need to regard stocks as fractional interests in businesses. In our view, not enough investors understand this most basic concept and therefore as a result they fail to maintain proper perspective, patience and asset diversification.

Investing in equity markets can be nothing more than speculation for those that invest on any basis other than a detailed analysis of the value of the underlying business / assets. If we can arrive at a reasonable estimate of net worth, then we are unconcerned by day-to-day market movements that are based solely on the sentiments of the crowd. For those that are willing to be disciplined and patient ultimately value is always recognised.

It is also very common to drown in complexity when analysing companies.

Most analysts and investment managers refer to discounted cashflows (DCF) as a primary valuation methodology.

However, to us, this valuation methodology has many variables that require great foresight and visibility – something that we feel is almost impossible to acquire given that the future is always uncertain. Curtis Jensen from investment management firm MJ Whitman best sums up discounted cashflow analysis – "Discounted cashflow to us is sort of like the Hubble Telescope – you turn it a fraction of an inch and you're in a different galaxy".

What we focus solely on within the Elevation Capital Value Fund is the balance sheet, the underlying asset values and the dividend flows. We believe if we remain focused on these factors and purchase stakes in well financed, asset rich companies at a sizeable discount then we can continue to build a margin of safety within the portfolio.

Currently our portfolio metrics (as at 22 April 2009) on a Price: Book and Yield basis (based on current market prices) are as follows:

Ave: Price: Book	0.64
Ave: Dividend	5.44%

Source: Bloomberg Data / Elevation Capital estimates

Another way to look at Price: Book is that we are paying an average of NZ$ 0.64c for every NZ$ 1.00 of net worth that we receive. *[Note: this is reported / estimated book value which it is also reasonable to expect is below intrinsic value in a large number of cases within the portfolio. Also, in most cases management has a record of growing net worth in the past and we expect this to continue in the future.]*

Successful investment management requires resolve on the part of both investor clients and the Manager. If both parties understand one another then a successful long term partnership can develop.

With this in mind we will continue to update you in a candid and timely manner. Equally we are always available to meet with investors to discuss our investment portfolio and our thoughts.

The Manager has also decided as a consequence of the Funds' level of assets that it is in the best interest of investors that the Manager pays the Trustee fees and audit costs of the Fund for the period up to 31 March 2009 from the Manager's own resources. The Trust Deed provides that these costs are to be borne by the Fund – however we feel that this decision demonstrates our continued alignment with, and commitment to our investors while we build both our track record and your trust.

Thank you for your support and continued interest.

Yours sincerely,

Christopher Swasbrook
Managing Director
Elevation Capital Management Limited

[1] Warren Buffett – 2008 Berkshire Hathaway Annual Letter

Risk Disclosure Statement

The information contained in this report has been prepared solely for informational purposes. It is not an offer to buy or sell or a solicitation of an offer to buy or sell units in the Elevation Capital Value Fund or to participate in any trading strategy. If any offer of units in the Elevation Capital Value Fund is made, it shall be pursuant to a definitive Investment Statement and Prospectus prepared by or on behalf of the Elevation Capital Value Fund which will supersede this information in its entirety.

Any decision to invest in the Elevation Capital Value Fund should be made only after reviewing the definitive Investment Statement and Prospectus (available at **www.elevationcapital.co.nz** or by contacting Elevation Capital Management Limited, PO Box 911145, Victoria Street West, Auckland 1142, New Zealand), conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the Fund.

All performance data, portfolio composition data and risk targets contained in this report are subject to revision by the Manager and are provided solely as a guide to current expectations. There can be no assurance that the Fund will achieve any targets or that there will be any return on or of capital.

Historical returns are not predictive of future results.

International investments involve special risks, including currency fluctuations, lower liquidity, different accounting methods, economic and political systems. These risks are typically greater in emerging markets. The Fund may invest a significant portion of its assets in the stocks of small and medium-sized companies, which tend to be more volatile and less liquid than those of large companies, may have underperformed the stocks of larger companies during some periods and tend to have a shorter history of operations than larger companies.

Value stocks may underperform other asset types during a given period.