

3 May, 2010

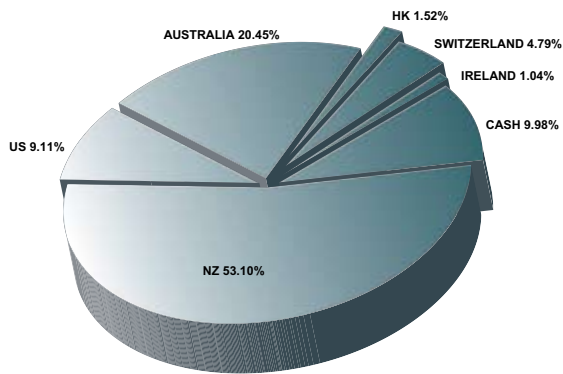
Dear Fellow Unitholders,

Global equity markets continued their recovery during the first quarter of 2010 and the Multi Strategy Fund and Value Fund delivered positive returns over this period. A great deal of the damage inflicted on global markets during 2008 and 2009 has been mitigated and the outlook is far more positive than 12 months ago. The table below highlights our performance for the first quarter of 2010, our performance for the year ended 31 March 2010 and the net inflows/outflows for each Fund.

	First Quarter 2010 Return (%)	Year Ended 31 March 2010 Return (%)	First Quarter 2010 Inflows / Outflows (NZ\$)	Year Ended 31 March 2010 Inflows / Outflows (NZ\$)	Closing Unit Price as at 31 March 2010 (NZ\$)
Multi Strategy Fund	+3.42%	+22.02%	- NZ\$ 33,062	- NZ\$ 106,516	0.8219
Value Fund	+3.12%	+12.45%	+NZ\$ 14,622	+NZ\$ 543,336	1.1054

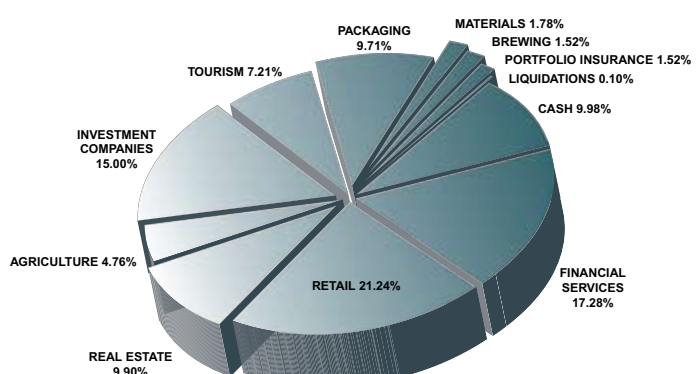
During the quarter a large majority of our portfolio companies generated improved operating performance as the global economy began to stabilize and corporate cost containment measures took effect. Because I do not believe I have a competitive advantage in predicting short term market or economic conditions, I continue to focus on a bottom up investment approach which results in the Fund's focusing on companies / industries and sectors that are not frequently "en vogue". It is important however to reiterate that an improving New Zealand economy should greatly assist both Funds' performance in the near term. In the long term however, investment selection rather than macroeconomics or stock market direction will continue to be the principal determinant of our performance, as the substantial majority of our historic (and anticipated) profits have come from the narrowing valuation discrepancies between the price we have paid for our investments and fair value.


 ELEVATION CAPITAL | MULTI STRATEGY FUND

Portfolio By Market - 31 March 2010


Total number of securities: 27


 ELEVATION CAPITAL | MULTI STRATEGY FUND

Portfolio By Industry - 31 March 2010


Total number of securities: 27

Portfolio – 31 March 2010

Company:	Code/Market	% of Portfolio
Canterbury Building Society	CBS	10.69
Briscoe Group Ltd	BGR	9.67
Colonial Motor Company Ltd	CMO	7.68
Southern Cross Building Society	SCBS	6.59
Skyline Enterprises Ltd	SLE	5.15
Vealls Limited - Capital Share	VELCP AU	5.15
Satara Co-Operative Group	SAT	5.13
GLOBAL MASTERS FUND LTD	GFL AU	5.06
Pargesa Holding SA-BR	PARG SW	4.79
National Can Industries Ltd	NCI AU	4.58
CDL Investments New Zealand Ltd	CDI	4.30
Tishman Speyer Office Fund	TSO AU	3.98
Boswell JG Co	BWEL US	3.07
Smith City Group Ltd	SCY	2.94
Orient Express Hotels Ltd-A	OEH US	2.06
Australian Agricultural Co	AAC AU	1.69
Reading International Inc-B	RDIB US	1.62
San Miguel Brewery Hong Kong Ltd.	236 HK	1.52
Readymix Plc	RYX ID	1.04
Kirkcaldie and Stains Ltd	KRK	0.95
Ready Mix Inc'	RMX US	0.74
iPath S&P 500 VIX S/T FU ETN	VXX US	0.54
ProShares UltraShort Lehman	TBT US	0.51
iPath S&P 500 VIX M/T FU ETN	VXZ US	0.28
ULTRASHORT FTSE/XINHUA CHINA	FXP US	0.19
Convera Corp-Class A	CNVR US	0.10
SCBS Options C1.00 2012	SCBSOPT	-
Cash	NZ / US	9.98

Portfolio Review:

There were several changes to the portfolio during the first quarter – mostly in the form of investment realisations:

Exited Security	Ave. Entry Price	Ave. Exit Price	Absolute Return* (+/-)	Comments
Guinness Peat Group plc (GPG)	NZ\$ 0.8054	NZ\$ 0.9314	+15.64%	Recent optimism around a potential capital return provided the opportunity for the Fund to exit our position profitably and bolster our cash position.
KHD Humboldt Wedag (KHD)	US\$ 13.77	US\$ 14.31	+ 3.92%	A very small position that was initiated because the Company was breaking up into an iron ore royalty company (Terra Nova) and a cement plant manufacturer listed in Germany. I decided against making it a larger position at present due to the timeframes involved for the full separation. We exited at a profit – but I may re-visit the royalty company in the future.
Kirkcaldie & Stains (KRK)	NZ\$ 2.4827	NZ\$ 2.8699	+15.60%	Despite still offering long term value. The re-rating from NZ\$ 2.10 as at 31 March 2009 to NZ\$ 2.85 as at 31 March 2010 was an opportunity for the Fund to exit profitably from both the depressed levels of 2009 and our original cost basis. <i>(Note: we finally exited this position completely in April 2010)</i>
Millennium & Copthorne NZ (MCK)	NZ\$ 0.3581	NZ\$ 0.4681	+30.72%	We opportunistically built a position in excess of 1,000,000 shares of MCK during 2009 when desperate sellers were evident – while there is still considerable value on offer – we took advantage of recent buyer appetite to realise a profit and bolster our cash position.

**Note: Returns are not annualised but do include any dividends received over the holding period.*

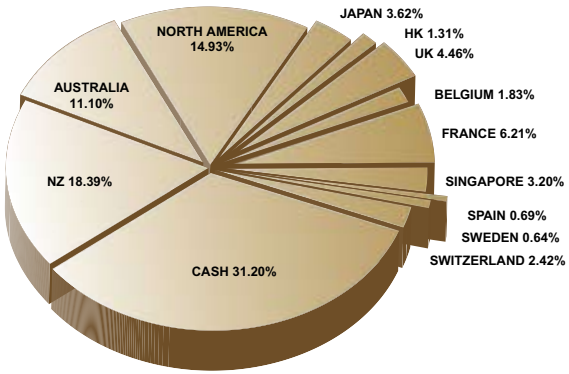
At present for the Multi Strategy Fund new investments remain small for primarily two reasons:

(i) I am firmly focused on “harvesting” from our existing portfolio of names when / if opportunities present themselves. For example, subsequent to the end of the first quarter we have had another positive development in the portfolio – Global Masters Fund (GFL) listed on the ASX – (which I will discuss in more detail at the upcoming unitholder meeting on May 12, 2010) – has announced an equal access buy-back at the 30 April 2010 NAV less 5%. For those that recall our recent letter to the Board of GFL (which can be found at: www.elevationcapital.co.nz/latestnews/letters) we had suggested the company look to return capital or distribute its holding of Berkshire Hathaway shares and cash to its shareholders. The Board of GFL responded positively to our (and other shareholder) suggestions. At every stage of the process to date (since we wrote to them in February 2010), the GFL Board have acted honourably and in their shareholders interests, this is despite the presence of a ~54% shareholder who could have blocked our proposals. Should we receive a cash payment in June 2010, as has been announced to the ASX, this will be a another positive result for the Fund and a clear example of the difference in corporate governance between a small cap Australian company and of our experience with small cap companies in New Zealand.

At present, I hear this constant cry that there is no liquidity and limited international investor interest in the New Zealand capital markets. In my opinion, the primary reason for this is the continued poor governance and lack of capital management skills across companies in New Zealand which only serves to promote underperformance (in terms of returns on equity/assets), shareholder malaise and widespread investor apathy towards our capital markets. You can expect to see us pushing harder for tangible outcomes on a number of portfolio companies over the next 8 months.

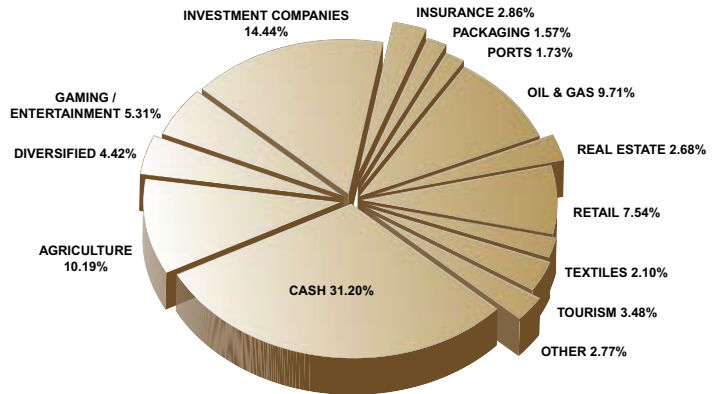
(ii) Despite a cash balance of almost 10%, the Multi Strategy Fund has limited capacity to make new investments. We have decided to keep a level of cash on hand so that we will not be selling stocks at inopportune times should markets decline and investors wish to redeem units. As we raise new funds, we intend to action some new investments that I have been researching and continue to build our cash buffer. As counter-cyclical value investors, we will often hold stocks which are not popular or that many investors are not interested in, but our strategy is to buy what is cheap and to sell what is more fully valued. It seems reasonable to expect that our New Zealand holdings will continue to, or undergo, a re-rating as/when confidence slowly returns to the New Zealand capital markets.

Portfolio By Market - 31 March 2010



Total number of securities: 44

Portfolio By Industry - 31 March 2010



Total number of securities: 44

Portfolio – 31 March 2010

Company:	Code/Market:	% of Portfolio:
Japan Petroleum Exploration	1662 JP	2.35
Jardine Strategic Holdings Ltd	JS SP	2.23
Boswell JG Co	BWEL US	2.17
Guyenne ET Gascogne SA	GG FP	2.17
Australian Agricultural Co	AAC AU	2.15
Vealls Limited - Capital Share	VELCP AU	2.15
Gaumont SA	GAM FP	2.12
Guinness Peat Group Plc	GPG	2.10
K-Swiss Inc - CI A	KSWUS US	2.00
ConocoPhillips	COP US	1.93
Societe des Bains de Mer	BAIN FP	1.92
Kirkcaldie and Stains Ltd	KRK	1.85
CNP - CIE Natl A Portefeuille	NAT BB	1.83
Guocoleisure Ltd	GLL	1.81
San Juan Basin Royalty Trust	SJT US	1.81
Millennium and Copthorne Hotels Ltd	MCK	1.78
Northland Port Corporation	NTH	1.73
Royal Dutch Shell Plc-A Shs	RDSA LN	1.70
Skyline Enterprises	SLE	1.70
Turners & Growers Ltd	TUR	1.64
LAACO LTD - UNITS OF LTD PRTNS	LAACZ US	1.60
Thwaites (Daniel) PLC	THW PZ	1.58
National Can Industries Ltd	NCI AU	1.57
MMC Contrarian Ltd	MMA AU	1.52
Colonial Motor Company Ltd	CMO	1.52
CDL Investments New Zealand Ltd	CDI	1.50
Rural Equities Limited	REL	1.47
Maryborough Sugar Factory	MSF AU	1.47
Wesco Financial Corp	WSC US	1.34
Wharf Holdings Ltd	4 HK	1.31
Oyster Bay Marlborough Vineyard	OBV	1.29
Amalgamated Holdings Limited	AHD AU	1.27
Aruze Corp	6425 JP	1.27
Pargesa Holding SA-BR	PARG SW	1.23
Penn West Energy Trust	PWE US	1.23
Schweizerisch Nationalbank - Reg	SNBN SW	1.19
Shaftesbury Plc	SHB LN	1.18
Swiss Helvetia Fund	SWZ US	1.03
Ariadne Australia Limited	ARA AU	0.97
Jardine Matherson Holdings Ltd	JM SP	0.97
Alexander & Baldwin Inc	ALEX US	0.96
Leucadia National Corp	LUK US	0.86
Repsol YPF SA - Sponsored ADR	REP US	0.69
Investor AB-A Shs	INVEA SS	0.64
Cash	NZD	31.20

Portfolio Review:

The Value Fund saw no positions reduced or exited during the first quarter reflecting its long term “bottom up” value approach.





I have been researching a number of new investment opportunities and the current market weakness may present an opportunity to execute on some of these ideas in the near term.

The Value Fund remains extremely well positioned with a robust cash balance as at 31 March 2010 of 31.20% and small but reasonably consistent inflows.







In keeping with past letters where we describe important holdings in our portfolio, I would like to discuss our investments in Jardine Matheson Holdings Limited and Jardine Strategic Holdings Limited collectively referred to as “the Jardines”:



Founded as a trading company in China in 1832, today Jardine Matheson is a diversified business group focused principally on Asia. Its businesses comprise a combination of cash generating activities and long-term property assets. The Group’s interests include Jardine Pacific, Jardine Motors, Jardine LloydThompson, Hongkong Land, Dairy Farm, Mandarin Oriental, Jardine Cycle & Carriage and Astra International. These companies are leaders in the fields of engineering and construction, transport services, insurance broking, property investment and development, retailing, restaurants, luxury hotels, motor vehicles and related activities, financial services, heavy equipment, mining and agribusiness. The Group also has a minority investment in Rothschilds Continuation, the merchant banking house. Incorporated in Bermuda, Jardine Matheson Holdings Limited has its primary share listing in London, with secondary listings in Bermuda and Singapore. Jardine Matheson Limited operates from Hong Kong and provides management services to Group companies.

 <p>Jardine Pacific</p> <p>A holding company with a select portfolio representing many of the Group’s non-listed Asian businesses, principally in engineering and construction, transport services, restaurants and IT services. (100%)</p>	 <p>Jardine Motors Group</p> <p>A group engaged in the sales and service of motor vehicles in Hong Kong, Macau and the United Kingdom, and with a growing presence in mainland China. (100%)</p>	 <p>JLT</p> <p>A leading listed insurance and reinsurance broker, risk management adviser and employee benefits consultant, combining specialist skills in the London insurance market with an international network. (32%)</p>	 <p>Jardine Strategic</p> <p>A listed company holding most of the Group’s major listed interests, including 54% of Jardine Matheson. (81%)</p>
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(Figures in brackets show effective ownership by Jardine Matheson as at 31st March 2010.)

 <p>Hongkong Land</p> <p>A listed property group with some 5 million sq. ft of prime commercial property in central Hong Kong and further high quality commercial and residential developments in Asia. (50%)</p>	 <p>Dairy Farm</p> <p>A listed pan-Asian retail group operating over 5,000 outlets, including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants. (78%)</p>	 <p>MANDARIN ORIENTAL HOTEL GROUP</p> <p>A listed international hotel investment and management group with a portfolio of 41 deluxe and first class hotels and resorts worldwide, including 16 under development. (75%)</p>	 <p>ROTHSCHILD</p> <p>An unlisted holding company within the Rothschild group with various financial services interests, including the investment bank N M Rothschild & Sons. (21%)</p>
 <p>Jardine Cycle & Carriage</p> <p>A Singapore-listed company with an interest of just over 50% in Astra, a major listed Indonesian conglomerate, and other motor interests in Southeast Asia. (69%)</p>	 <p>ASTRA international</p> <p>The largest Indonesian motor group, manufacturing, assembling and distributing motor vehicles and components in partnership with industry leaders such as Toyota and Honda.</p> <p>Astra’s financial services businesses consist of consumer finance (principally automobile and motorcycle), insurance and a 45% interest in Bank Permata.</p> <p>Astra’s other interests include oil palm plantations, heavy equipment and mining, information technology and infrastructure.</p>		

(Figures in brackets show effective ownership by Jardine Strategic as at 31st March 2010.)

(Source: www.jardines.com)

Why have we invested in “the Jardines” ?

- (i) A growing portfolio of businesses that are focused on the Asian consumer;
- (ii) Extremely well financed holding companies, management that is value focused and actively manage their capital. For example, Jardine Strategic recently undertook a tender offer for ~1.3% of its shares at a higher level than the share price at the time (the Value Fund did not accept the tender offer because it was still below asset value);
- (iii) Strong alignment of interest with the Keswick family and management owning ~16% of the Group. Additionally, Jardine Matheson owns 81% of Jardine Strategic and Jardine Strategic in turn owns 54% of Jardine Matheson so collapsing the structure will make sense at some point in time which will serve to reduce the discount to the underlying asset value;
- (iv) Both stocks are trading at significant discounts to “look through” Net Asset Value (NAV), based on the market price basis of the underlying listed holdings, and on an intrinsic value basis.

Closing Remarks:

It seems reasonable to expect heightened volatility in the months ahead due to sovereign debt issues in Europe and banking sector regulation (including vilification) in the US. While I can provide little additional insights I believe this will prove to again be a period where we should seek to capitalize on the nervousness of others in the markets. In terms of the Multi Strategy and Value Fund portfolios I remain focused on both “harvesting” from the current portfolios (when/if catalytic events occur) and seeking out new investment opportunities. However, while I continue to believe the general direction of the markets is likely to be up, investors will still require an abundance of patience over the next few years. We own some wonderful global and domestic franchises – the Fund’s own fractional interest in these businesses - sometimes the best thing to do is just sit with such companies for long periods of time and allow the power of compounding to work for us.

I remain optimistic about our chances for earning reasonable rates of returns in the current environment.

Thank you to all of our investors for your continued support and interest.

Yours sincerely,



Christopher Swasbrook

**Managing Director
Elevation Capital Management Limited**

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 units or a solicitation of an offer to buy or sell units in either the Elevation Capital Multi Strategy Fund, the Elevation Capital Value Fund or to participate in any trading strategy. If any offer of units in the Elevation Capital Multi Strategy Fund or 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 Multi Strategy Fund or the Elevation Value Capital Fund which will supersede this information in its entirety.

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/s 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.