

Positive Delta Asset Management (“PDAM”)
Quarterly Market Letter - First Quarter, 2011

At Positive Delta Asset Management (“PDAM”), our goal is to preserve our clients’ wealth during declining markets, while building them in rising markets. Investing across a broad range of assets: stocks, bonds, commodities, currencies and real estate using quantitative models to gauge risk makes the most sense for virtually every investor today. In the last three months, as well as since the firm’s inception in 2005, our strategic and tactical investing allocation models lower overall volatility for our client’s portfolios without compromising returns – the beauty of finance theory applied to real world investing. As always, our firm’s three-word mantra of Transparency, Trust and Performance apply to every client.

Today is not that much different than three months ago when we last wrote our quarterly update, with the exception of what many would consider a few “force majeure” events. With the Japan nuclear event, the political and military uprisings in Egypt, Libya, Tunisia and other North African and Middle Eastern countries, as well as continuing European and American debt machinations, one would be inclined to believe that the resilience of the equity and debt markets would be sorely tested. However, these markets maintained keel more than many expected last quarter, with the possible exception of the municipal bond market, as these grandiose events, for the time being, were reasonably limited to their respective countries. What did triumph thus far, if it can be called that, is that markets are viewing both man made problems and natural disasters as solvable, given adequate time and future investment.

The concern for us, and really for every investor, is what is occurring with global capital flows and commodity markets and, perhaps most importantly, the U.S. dollar. We are concerned with factors fueling inflation – particularly food and energy - and currency volatility, both here and in emerging economies. The loose monetary policies of developed countries are risking capital inflows to developing countries, spurring inflation and causing social anxiety. As recently as last week, the heads of the five BRICS (Brazil, Russia, India, China and South Africa) issued a joint statement underscoring their concerns about these capital flows, and stated their desire to shift away from the US dollar in no uncertain words. Already they are taking steps to establish mutual trades in their respective currencies as another option to traditional U.S. dollar denominated commodity trades.

Given this remarkable backdrop, our models recently provided surprising signals indicating a slightly more bullish equity sentiment for our tactical allocation. Our overall strategic allocation mix remains the same – with good positions in agriculture, commodities and infrastructure – areas we view as long term holds. We are still well diversified globally across asset classes, with positions correlated in the appropriate manner. Regardless of these global capital flows and their consequences, our strategies are appropriately hedged with the blessing of our time tested models and the collective experience of our investment committee.

Over the past five years since inception, our two Separately Managed Account (“SMA”) strategies, Global Alpha and Global Alpha *Ultra*, have returned 101.41% and 57.91% respectively, after expenses and performance fees, compared to the S&P 500, which returned 20.79% over the same period. Most importantly, these returns were accomplished with lower volatility levels.

During the first quarter ended March 31st, our client portfolios gained 2.16% and 3.29% respectively. Our largest gains originated from our position in Crude Oil Futures and MasterCard. As always, we plan to continue making sound tactical and strategic investment decisions, as guided by our proprietary model, analysis of the global capital and political markets, and experience of our Investment Committee.

Operational Developments: From an operational perspective, we are pleased to report two important developments. The first is that Charles Schwab, Inc. is now our custodian firm partner. We are now on the Schwab custodian platform, and maintain a master account with them on behalf of our clients. Although our client's assets can still be held with our longtime custodian Scottrade, Inc., we view our relationship with Schwab as an important step in the overall growth of our firm. Existing clients who enjoy the Scottrade platform by all means can keep their assets with Scottrade.

The second important development is that we entered into a three-year agreement with Ashland Partners & Company LLP, one of the best firms in the nation performing Global Investment Performance Standards ("GIPS") verification and examination services for asset management companies. Ashland provides such services to the best money managers in the world, including the likes of PIMCO and Goldman Sachs, and we are pleased to have such a high caliber firm attesting to our performance. Ashland will be providing services as required or recommended by the American Institute of Certified Public Accountants ("AICPA") Attestation Standards and/or the GIPS for our performance since firm inception.

As always, please feel free to contact us regarding your portfolio. As fiduciaries of your assets, we are always available for your questions and concerns.

Sincerely Yours,



Andi Kim
Chief Investment Officer



Harry Kim
General Counsel



Donald Kim
Chief Executive Officer