



# IBIS Global Media Fund

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SEPTEMBER 2008	IBIS Global Media (USD Cl.2)	IBIS Global Media (EUR Cl.2)*	MSCI World	MSCI Media
NAV	105.45	101.78	-	-
Performance on month	-3.1%	-2.7%	-12.1%	-13.8%
Performance YTD	+3.0%	+1.8%	-25.6%	-25.8%
Performance since inception	+5.5%	+1.8%	-26.2%	-34.8%

\*Euro class launched April 2008

## Performance Table (USD Sub Class 2) – Fund Inception July 2007

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	-	-	-	-	-0.0%	+0.5%	+0.4%	+0.1%	-0.1%	+1.6%	+2.4%
2008	+0.9%	+1.3%	+0.0%	-0.8%	+1.4%	+1.1%	+2.1%	+0.1%	-3.1%	-	-	-	+3.0%

## Fund Statistics – Gross (Portfolio) Returns

# longs	14
# shorts	14
Volatility	+5.73%
Annualised Alpha*	+13.7%
Annualised Sharpe Ratio*	0.68
Beta*	0.13
Correlation ( to S&P 500)*	0.28

## NAV Performance- USD Sub Class 2

Best	+2.1%
Worst	-3.1%
Average	0.4%
% Positive months	73%
Gross (δ adj.)	92.2%
Net	+3.0%

## Fund Description & Strategy

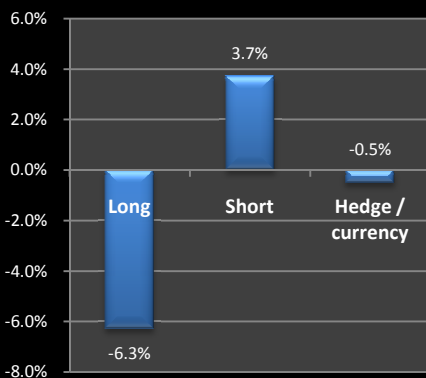
IBIS Global Media Fund is a specialist long/short equity fund focused on the global media sector. Sub-sectors covered include entertainment & content, professional & consumer publishing, marketing services, broadcasting & pay TV, radio & outdoor and internet stocks.

The fund's objective is to provide investors with attractive absolute returns and moderate volatility. The managers employ a blend of intensive top down and bottom up research in order to generate investment ideas at the sector, sub-sector and stock specific level.

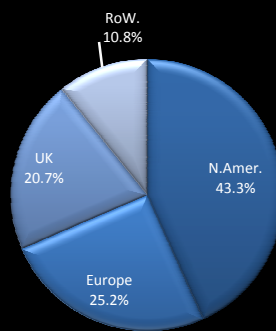
The management team consists of David Forster, Peter Wilton and Edward Montague (Operations Manager and Analyst). David Forster has 6 years of industry experience and 15 years experience as an equity analyst specialising in media. He was latterly responsible for global media research at Citigroup. Peter Wilton was previously a fund manager at Threadneedle Asset Management with long only and hedge fund experience. He has covered the media sector for 17 years.

IBIS Global Media Fund is registered in the Cayman Islands and its shares are listed on the Irish Stock Exchange (USD Class SEDOL codes B1VPFH2 & B1VPFJ4; EUR Class SEDOL codes B1VPC7 & B1VFPD8). IBIS Capital Partners LLP is authorised and regulated by the Financial Services Authority (FSA), UK.

## Monthly Contribution %

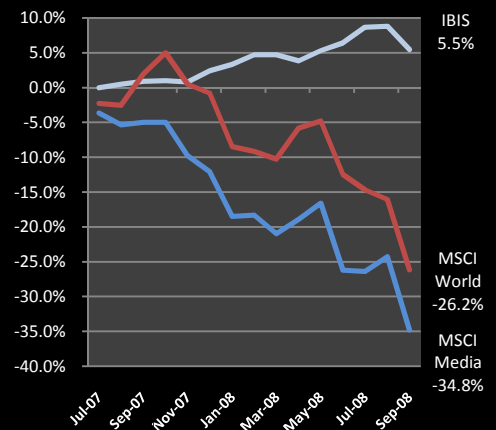


## Gross Regional Exposure



Note: Most major media companies have significant global operations

## Performance since inception vs Indices



## Fund Details

Manager	IBIS Capital Partners LLP
Administrator	PFPC (Ireland) Ltd.
Prime Broker	Goldman Sachs Intl.
Domiciled	Cayman Is.
Inception date	02 July 2007
Performance fee	20% (with H.W.M.)
Management fee	1.75%
Share classes	USD, Euro
Min. investment	\$100,000
Subscription	Monthly
Redemption	Quarterly
Contacts:	David Forster +44 207 070 7087 Peter Wilton +44 207 070 7083

## Summary

- September was an extraordinarily challenging month during which media sector fundamentals were overwhelmed by the broader market malaise. Technical factors also conspired to create an environment in which there appeared to be little rational basis for many share price movements.
- Our NAV per share was -3.1% across the month, while the MSCI World Index was -12.1% and MSCI Media -13.8%. We view September's outcome as especially disappointing given that our portfolio reflected a cautious view of economic and market prospects.
- With blind fear a major market driver it would be easy to dismiss September as an "impossible" month. However, it became clear during the month that a major underlying theme was the impact of hedge fund deleveraging. This meant that high quality names with resilient earnings fared worse than cyclically and financially leveraged names, which largely explains our poor performance.
- The best decision we made in September was to reduce both our gross and net exposure early in the month, which provided some damage limitation.
- On a brighter note Monday 13<sup>th</sup> October saw the biggest one day gain in the history of our Fund and we hope for an improved performance this month.

## Summary

It is difficult to conceive of a more challenging month than September. It felt as if we had everything including the kitchen sink thrown at us, with the threat that the entire house was then going to collapse on top of our heads. The first week and a half of October continued in a similar vein. Our biggest frustration is that we feel we should have made money over this period, as the collapse in economic and earnings growth expectations should have played to our portfolio composition. A piece of analysis by Goldman Sachs provides insight into why we have not fared better. They noted that the 50 US stocks to which hedge funds were most exposed fell 19% in September, while the S&P 500 fell 9%. By comparison stocks with a low concentration of hedge fund ownership fell just 2%. The driver of this phenomenon has been the recent high level of hedge fund redemptions, forcing hedge funds to buy back short positions at just the point when many of these shorts should have been paying off, given the sudden downturn in prospects. Simultaneously funds were also raising cash by liquidating long positions; much of which came from "safe haven" stocks which on fundamentals should have fared relatively well.

In conclusion the secret for making money in September was to either be very lucky or in the face of a credit and economic meltdown to have been long of financially and cyclically geared companies and short of defensive names with strong balance sheets. Sadly Lady Luck did not smile on us and even with the benefit of hindsight we do not envisage a scenario in which we would have constructed a portfolio that was deliberately long financially challenged rubbish and short quality names, given our current view on fundamentals and valuation.

The first week and a half of October saw more of the same technical pressures that prevailed in September and despite maintaining a modest gross and virtually flat net exposure we found that we were continuing to lose money, falling a further 2% early in the month. However, the latest concerted government initiatives to recapitalise the banking system and free up credit markets have led to a very sharp market rally in which we have recouped all of this month's losses and more. Indeed on Monday 13<sup>th</sup> alone, we made over 200 bps, which given that we started the day with a gross of a little over 60% and a minimal positive net exposure says much about the technically depressed state of our overall portfolio valuation.

It is too early to say that we are out of the woods, but if we can move back to a more rational investment environment we see no reason why we should not resume making money. Even if a prolonged recession seems an increasingly probable event, the media sector has already moved a long way to discounting this scenario, having fallen 35% since we launched our Fund last July. Although we think that sector earnings risk is still firmly to the downside, especially with regards to 2009, we think it entirely possible that some stock prices may have bottomed during the course of last week. Certainly there are instances of value which are as depressed or lower than anything we have seen in our professional careers.

## Attribution

We took a cautious view of the market early in September and quickly reduced a net 13% long exposure to broadly neutral and took our gross below 100%. This undoubtedly saved us money. Given the lack of rationality of many of the subsequent market moves we took a deliberate policy decision to not try to trade the market and were happy to let our gross shrink as the value of our longs and shorts declined. During the course of the month we closed three long positions, one of which we flipped to our short book. We opened one new long position.

Broadly we made money on all our short positions and lost money on all our longs. We lost money because our longs fell by more than our shorts. In terms of fundamental newsflow we would have expected a converse outcome, but as discussed earlier we were undone by technical factors, which saw our theoretically lower beta long book prove to have a higher beta than our short book in the particular circumstances that prevailed in September. Thankfully there are signs that some of these pressures are abating.

## Outlook

Recent weeks have been all about capital preservation. In order to return to making money we need to see the threat of a global financial meltdown put to rest and it does appear that significant progress has been made on this front in recent days. If confirmed we would expect to see a gradual reduction in volatility and a restoration of rational investing. The fact that we are entering a recessionary period does not concern us in terms of confidence in our ability to produce positive returns. Given our specialist approach we should prove more capable of producing alpha in complex times.

Finally we would like to thank all our investors for their support. We have had zero redemptions since we launched our Fund and we are greatly appreciative of this vote of confidence.

\*NB: Fund statistics calculated with reference to Gross Portfolio Returns and using daily returns; Market Proxy: S & P 500; Risk Free Rate: 5.0; Figures are unaudited. Source: IBIS Capital Partners LLP

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