



# Muse Newsletter

July 2010

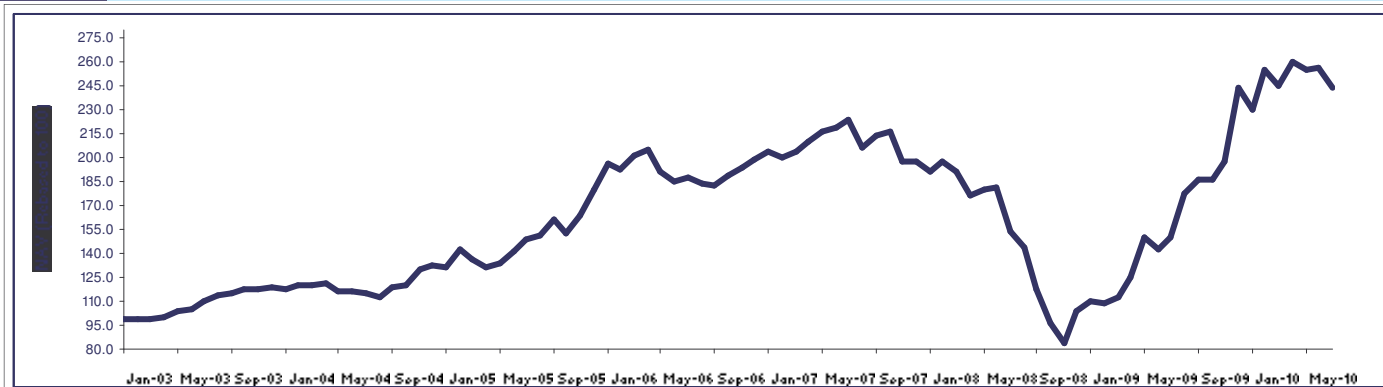
**Muse Capital LLP**

Muse Capital invests in global equities, long/short, seeking under-priced growth on the long side and businesses with deteriorating fundamentals and price action on the short side.

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**Legal Name of Fund:** Muse Global Master Fund, Muse Global Fund Ltd (offshore feeder), Muse Global Partners LP (onshore)  
**Fund Domicile:** Cayman (offshore feeder), Delaware (onshore feeder)  
**Inception Date:** January 2nd, 2003  
**NAVs:** (Please See Page 2)  
**NAV frequency:** Monthly  
**Currencies:** US\$, Euro, Yen and GBP.

*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2003	-0.73%	-0.51%	-0.20%	1.52%	3.80%	1.54%	4.54%	2.90%	1.10%	2.77%	-0.63%	1.32%	18.8%
2004	-0.68%	1.39%	0.49%	0.44%	-3.98%	0.17%	-0.37%	-2.35%	4.82%	1.17%	8.10%	2.44%	11.7%
2005	-0.62%	7.86%	-4.36%	-3.60%	2.04%	5.40%	5.99%	1.27%	6.43%	-5.12%	6.92%	10.10%	35.6%
2006	8.96%	-1.95%	4.63%	1.86%	-6.54%	-3.26%	1.15%	-1.99%	-0.74%	3.47%	2.70%	2.97%	10.8%
2007	2.53%	-2.07%	1.99%	3.12%	2.53%	1.69%	2.18%	-7.72%	3.42%	0.97%	-8.60%	-0.02%	-0.9%
2008	-2.96%	3.08%	-2.97%	-8.32%	2.65%	0.68%	-15.26%	-6.40%	-18.83%	-17.50%	-13.61%	24.60%	-46.9%
2009	6.09%	-1.91%	3.71%	11.15%	20.02%	-4.40%	4.79%	18.02%	4.93%	0.52%	5.54%	23.48%	134.0%
2010	-5.61%	11.03%	-3.98%	6.30%	-1.97%	0.24%	-4.50%						0.4%



## Top Long Positions (Non-ETF)

%	Company	Country
15.67%	Ferrous Resources	United Kingdom
9.49%	AISI Realty Public Ltd	Ukraine
6.53%	Porto Energy Corp	Canada
3.30%	St. Elias Mines	Canada
2.54%	Ocean Harvest Technology	Canada

## Top Short Positions (Non-ETF)

%	Company	Country
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## Top 5 Contributors (Gross)

36 bps	Stream Oil & Gas
12	Rockhopper Exploration Plc
12	St. Elias Mines Ltd
12	Golden Goliath Resources Ltd
10	Toro Gold Limited

## Bottom 5

- 292 bps	Mala Noche Resources Corp
- 35	AISI Realty Public Ltd
- 29	Lincoln Mining Corp
- 23	Falkland Oil & Gas
- 20	Ansell Capital Corp

Please note: Performance is for Muse Global Partners LP and is net of fees and expenses.  
 Authorised and regulated by the F.S.A.

# Portfolio Review

July proved a disappointing month for the fund losing 4.5% and thus the fund is down marginally for the year. The loss was caused as Mala Noche gave up all of the gain it made in June and more. As we had taken off short positions on the Euro and GBP the fund also benefited as a number of stocks, whilst remaining flat in local currencies, rose in dollar terms.

## Outlook

As we wrote in May stocks remain very undervalued this being most recently confirmed by the Barclays Equity-Gilt study, which shows that dividend yields on shares are higher than gilt yields, for the first time since 1958 on an annual basis rather than just on a monthly basis.

That said dependency amongst many investors in growing all the time. Many investors have now made no money in over a decade and thus they feel quite rationally that they would be better in almost any asset class like property, bonds or even cash which is inherently less risky. That said as Warren Buffet famously remarked the rear view mirror is a lousy indicator of the future. If in 2000 you had looked at all asset classes you would have concluded you needed to be fully invested in technology stocks as the NASDAQ market rose a heady 24.5% compound over the decade. Needless to say that was exactly the wrong time to buy into tech shares.

So now what are the alternatives on a long-term view of say 10 years.

1. You can buy property but, just speaking about the UK, we do not believe the numbers that show property prices in the UK have risen 3 fold since 1997 which is 8.8% per annum plus rental yield on 4% giving a total return on 12.8% per annum. We think the numbers excluding prime London property, which is being affected by the world's super-rich, and loosely the North, where properties have risen by 5 times as public sector wage inflation and Northern Rock style 125% mortgages caused a property bubble. In middle England and non-prime London our estimate is prices have doubled, which is 5.5% per annum or very similar to the rise in nominal GDP, which is exactly what prices should have risen by. Looking further out we think nominal GDP may rise by 3-5% per annum, which would mean house prices for middle England appreciating by 50-100% over the next decade.
2. Cash is unlikely to return anything as after-tax rates are negative.
3. Bonds will likely be a disastrous investment, we just do not know when. Only the madness of crowds and the complete distrust of everything is driving long-term bond rates down to historic lows. Like cash, bond yields after-tax, are negative but more dangerously than cash you can lose a large percentage of your capital as and when rates finally normalise.
4. So how do Equities look. We have been long-term believers in a 17 year cycle for stock-markets. In sum you have a 17 year bull market, then for 17 years the market goes nowhere. We are now nearly 11 years into this cycle of going nowhere. Over the past near 11 years the FTSE 100 has lost approximately 24% (-2.7% per annum) of its value, which with an average yield of say 3.5%, has meant a total return of 0.5%. In sum you have made almost no return on your money and you would have done substantially better in any other asset class. Looking out and assuming the FTSE recovers in a further 6 years to a new high of 6950 the annual return would be 4.7% plus a dividend year of 4.0% plus. In sum a total return of 8.7% per annum which is easily the best return of any asset class

As an investor the real question is not asset allocation, which is blindingly obvious but performance. We believe all investors have no choice but to own property and equities over the next 10 years. The fund remains fully invested and we think the best lies ahead despite the gloomy commentators.

### NAV Per Share (as of 30th June 2010)

These are the NAV's for June 2010. For updated figures before next month's newsletter, please email us.

Muse Global Fund Ltd (USD)	Muse Global Fund Ltd (EURO)	Muse Global Fund Ltd (GBP)	Muse Global Fund Ltd (JPY)
US\$2,292.09	€1,052.62	£1,039.58	¥1,079.73