

Dear Investors,

The Orange Capital Master Fund returned 32.8% net of fees in 2010. In the fourth quarter the fund returned 14% net of fees. Since inception in March 2008 the fund grew by 87.5% net of fees. The following table shows our annual performance since inception in comparison with the S&P 500.

Year	Orange Capital Master Fund	S&P 500
2008	+ 28.5% (net)	- 40.0%
2009	+ 14.0% (net)	+ 34.9%
2010	+ 32.5% (net)	+ 12.9%

Since inception our NAV appreciated by 87.5% net of fees, which is a cumulative average annual return of 25.6%, while the S&P lost 9% in the same period.

Positions held as of January 2011

Whole Foods	(the position made 10.7% to the portfolio since inception)
US Bancorp	(+ 2.4%)
Caterpillar	(+ 0.3%)
Brown-Forman	(- 0.9%)
Rusforest	(+ 0.7%)
CHF, AUD, CAD, BRL	(+ 0.0%)

Positions closed in the 4th Quarter 2010

Anadarko	(+ 6.0%)
Air Liquide	(+ 3.4%)
Mosaic	(+ 1.7%)
Potash	(+ 0.0%)
Africa Oil	(+ 2.1%)

Current views and portfolio

We remain positive about the US because large companies are doing fine. They are investing and creating jobs both here and abroad. Some states are growing 4% or more and there is even a shortage of qualified labor in certain sectors. The reason unemployment is still high is because a lot of this is structural and will not improve regardless of how fast the rest of the country grows. This is a good environment for equities because the Fed is not going to raise rates even though there will be growth in many areas of the country. This is reflected in the steep yield curve which supports our view.

The bulk of our portfolio is invested in high quality, best in class, US companies with leverage to the US consumer, US exports and improving US credit. They are Caterpillar, US Bancorp, Whole Foods and Brown-Forman.

While we are positive on the US we expect emerging markets to be under pressure. The biggest event in the world right now is rising inflation in emerging markets driven by high commodity prices. These

markets are far less competitive and have weaker institutions than the US, so higher commodity prices quickly translate into inflation and stifle consumer demand.

Commodity prices have risen sharply in the last few weeks of 2010 and are putting pressure on countries in emerging markets to raise rates. Market perception is that higher rates in those countries will make their currencies appreciate. We disagree. We believe that higher rates in emerging markets will hurt their financial markets and hence put pressure on their currencies. The key variable here however is the outlook for US jobs and interest rates. If the US keeps improving and the job numbers get better the extreme conditions in the currency markets will reverse. Currencies of high interest rate countries like Brazil, Russia and Australia will correct against the USD which will help restore some of the massively distorted purchasing power parities. Some of that has already started with equity markets in emerging markets underperforming the US in the first few weeks of 2011. We believe this will continue.

Our negative view on emerging markets and commodity prices led us to close our positions in Anadarko, Mosaic and Potash. All these stocks are driven by higher commodity prices, which at this point only translate into inflation, and we don't think this is sustainable.

The likelihood of a correction in the currency markets and stocks of emerging markets is very high. This view is reflected in our portfolio which is biased towards the US and the USD. We initiated a short position in a basket of currencies which are the Swiss Franc (CHF), the Australian Dollar (AUD), the Canadian Dollar (CAD) and the Brazilian Real (BRL).

We are also working on a short position in stocks with high emerging markets exposure such as Ambev, CBD, Creditcorp, LVMH, Swatch Group, Nestle and BMW. While these businesses are very different they all share one thing in common; their growth expectations rely heavily on increased consumption in emerging markets. We believe this growth will not materialize as expected and cause these stocks to correct. BMW for example is pricing in growth and margins which in our view are hard to justify. A lot of the demand for cars is credit driven and higher interest rates will put a dent on demand. Creditcorp is a Peruvian bank trading at a Price to Book ratio of around 3.5 which is based on high growth, high ROE and low interest rates. We don't think this is sustainable. Similarly we believe the Brazilian consumer stocks Ambev and CBD will have to reduce their growth expectations due to higher rates in their countries. This will stifle consumer appetite to take loans and keep consuming. We believe Brazil is in a dangerous credit driven growth cycle which, if not stopped, could have a similar ending like the US credit boom.

Shorting emerging markets is not a pleasant way to make a living. In order to mitigate specific corporate risk we are working on putting together a basket of stocks. Since this is a macro view we don't necessarily have a problem with the companies themselves. Our concern is the macro backdrop they are operating in and the unrealistic expectations reflected in their stock prices. In fact, we prefer to short quality companies since their managements don't pull tricks on us. As far as timing is concerned we feel the time is ripe since the US is improving. If there is a shift in short term US interest rates the undervaluation of the USD will reverse quickly. We also think that emerging market stocks and stocks with emerging markets exposure will endure a correction and underperform stocks with primary US exposure.

For the coming months we are positioning the fund for a continuous rally in the US, a stronger USD, a correction in emerging markets, and money flowing back to the US.

Recap of most relevant positions for 2010

Whole Foods	(+ 9.7%)
Euro	(+ 7.0%)
Anadarko	(+ 6.0%)
Bancolumbia	(+ 5.5%)
BBVA	(+ 4.2%)
Air Liquide	(+ 3.4%)
Palladium/Gold	(+ 3.2%)
US Bancorp	(+ 2.4%)
Africa Oil	(+ 2.1%)
Mosaic	(+ 1.7%)
L'Oreal	(+ 1.3%)
Banco Santander	(+ 0.9%)
Arcelor Mittal	(+ 0.9%)
Rusforest	(+ 0.7%)
Caterpillar	(+ 0.3%)
Bankinter	(+ 0.3%)
Potash	(+ 0.0%)
Dupont	(+ 0.0%)
Brown-Forman	(+ 0.0%)
J.Crew	(- 1.2%)
Vale	(- 1.8%)
Monsanto	(- 2.0%)
China Cosco	(- 2.6%)

The table above shows that most positions made money. This is very important to us and reflects our investment style. We aim to make money in every position. We expect the percentage of money making positions to be high. In order to achieve this we will continue concentrating our portfolio which is at the heart of our investment process.

The trading cost for the fund in 2010 was 70 basis points. We paid 30 bps for commissions and 40 bps for interest which is primarily due to borrowings when trading in foreign currencies. As always, we will continue to work on reducing trading cost and Interactive Brokers is assisting us with improved technology.

Please feel free to call us you you want to discuss more.

Thanks,

Krim Delko

New York, January 2011