

Dear Investors,

The Orange Capital Master Fund returned 17.4% gross in the third quarter 2010. As of September 30th 2010 the fund is up 16.4% net of fees and commissions. Since inception in March 2008 the fund returned 64.1% cumulative or 21.9% annualized, both net of fees and commissions.

Positions held as of September 30th 2010

Anadarko	(the position made +1.65% to the portfolio since inception)
Air Liquide	(+2.00%)
Potash	(flat)
Mosaic	(+2.20%)
Africa Oil	(+1.40%)
Canadian Dollar	(+0.10%)

Positions closed in the second quarter

L'Oreal	(+1.26%)
BBVA	(+4.10%)
Banco Santander	(+0.85%)
Bankinter	(+0.25%)
Bancolombia	(+5.50%)
Euro	(+3.00%)
J.Crew	(-1.20%)
Monsanto	(-1.00%)

In the second quarter we wrote about the opportunities in Colombia and Spain. Both situations worked out well. We closed our investment in Bancolombia because the stock reached our target. In Spain we decided to exit even though the stocks were still below our target. The stocks rallied from their lows as the credit panic in Europe eased. We still consider the Spanish corporates quality investments due to their international exposure, but for the stocks to do better in the near term the domestic economy has to improve. After visiting the country in early September we think that this could take time.

With J.Crew we were looking to take advantage of accelerated consumer spending in the fall season. We felt the market had gotten overly pessimistic during the summer. Considering the fact that US corporations actually are doing very well we thought that the consumer cannot be that depressed. Our expectation was that US retail sales would surprise to the upside in September. Although retail sales did pick up and most competitors did well J.Crew stock started to lag the sector in mid September. We decided that this underperformance must be driven by company specific issues which we cannot understand, so we got out.

The portfolio is concentrated and reflects our view on three particular situations. First, we are long Potash and Mosaic, both large fertilizer companies. The sector is interesting because we expect prices to rise due to increased global demand. Another positive is the recent rally in agricultural commodities which will underpin fertilizer prices. Other contributing factors are the consolidation in the Russian fertilizer sector, severe droughts in Russia and Brazil, and China buying unusual quantities of agricultural commodities. In addition to the strong fundamentals both companies could be taken out in

the near term. There is interest from mining companies to expand in the fertilizer sector and Potash is already under siege.

Second, we are long Anadarko Petroleum. The company is a large independent oil producer with assets in the US, Africa and other parts of the world. Anadarko has a stake with BP in the Macondo well which blew up in the Gulf of Mexico. The stock took a hit after the accident because the market expects Anadarko to be liable for their share of the damage. We believe BP will be solely held responsible for the incident in which case Anadarko is not liable for any damages. The company might choose to settle to speed things up with an amount much lower than feared. We also believe that the environmental damages will be lower than expected and the potential liability limited. The stock still trades at a considerable discount to where it would be had there been no accident. This discount is expected to shrink soon or alternatively a larger oil company will buy Anadarko and take advantage of the discount in the stock price. We are comfortable with the price of oil.

Third, despite talks about a possible recession in the US and Europe there is increased industrial activity and capex for large industrial projects. We decided to get back into Air Liquide since the fundamentals of the company are primarily driven by increased industrial activity. There is also an unusual circumstance in which Air Liquide is able to borrow at low rates in the US and Europe and invest in high return projects around the world, which is additional upside for the stock.

Our investment in Africa Oil has done well and we decided to keep it. The key driver is their farm-out agreement with Tullow Oil in Kenya and Ethiopia. This increases the chances of exploration success and commercialization of potential oil finds. It is worth mentioning that we are comfortable with Africa Oil because it is a vehicle of the Lundin family. The family has a great track record in finding and commercializing oil assets in politically difficult areas of the world. We have made money with them in the past.

Ideas we are working on

One common theme in the oil industry is that crude is getting heavier. On the one hand the light oil is harder to find and therefore getting more expensive and on the other hand existing oil fields are depleting at a fast pace which makes the oil in the ground heavier. The best indication for this is the fact that Saudi Arabia decided to build large heavy oil refineries. Other countries such as China, Spain, Brasil and Colombia are also building capacity for heavy oil refining. These projects require large investments and take 5 to 7 years to build. The current activity is a strong signal that heavy oil will be more in demand in the future. We are looking for ways to get exposure to heavy oil.

We are working on the relative valuation between Petrobras and Ecopetrol. Both companies have the mandate to be large national oil companies with the burden of investing in oil infrastructure. While Ecopetrol has recently gained a lot in value and is trading at high valuations Petrobras is being punished by the market for the government interference. We believe that this discount will shrink after the elections in Brazil since Petrobras is too important of an asset to be damaged by political influence. On top of that Petrobras has an excellent reputation as an oil company and is world class in difficult offshore oil exploration. Given the huge reserves in offshore Brazil the upside for the stock is very high.

L'Oreal and Beiersdorf have one thing in common. They each have interested buyers in Nestle and PG. In the last 10 years both stocks have underperformed global consumer companies such as Nestle, SAB

and BAT. It is only a matter of time until the controlling families agree to sell them. We are monitoring the situation.

The risk aversion in the US and Europe is generating massive fund flows into bonds. At this point the flows are not driven by fundamentals anymore and yields are not sustainable. We are looking at possibilities to take advantage of a correction in the bond markets.

Market Risk

When it comes to assessing market risk we focus on what companies are saying. We believe the best indicator for equities is the performance of businesses and their confidence in the future. Despite talks about a possible recession in the US and Europe we are getting lots of positive signals from companies. They are profitable and expanding their capex. Some of them such as Air Liquide are able to raise prices which is a strong signal for solid demand. Particularly companies with international exposure are doing well. They are taking advantage of increased growth in emerging markets and low interest rates at home. We believe US GDP and employment numbers are not representative of the expected returns of the S&P 500 since many of its components are making money in growth markets outside of the US.

We pay attention to the yield curve and the equity risk premium. The yield curve has flattened in the third quarter suggesting the risk of a slowdown. We are not concerned since the curve is still pretty steep and signals further expansion, albeit at a slower pace. The equity risk premium tells us how much we pay for equities versus bonds. Currently bonds are expensive relative to equities suggesting that more money will pour into equities.

As usual, please feel free to call us if you want to discuss more.

Thanks,

Krim Delko

New York, October 21st, 2010