

# Kane Capital Management

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## Company

Kane Capital Management runs a global market-neutral quantitative equity portfolio. The portfolio typically has 1,000 positions per side in both developed and emerging markets, has no position greater than 1% LMV, and is neutral to country, sector, and size. Our universe consists of the 8,000 most liquid global equities. The average holding period is three to six months.

## Niche

Professional computer programmers know more than us about software development. Academics know more than us about the latest research in finance and statistics. Fundamental analysts know more than us about the details of companies, countries, and sectors. We strive to know more about the intersection of these three fields than any of our competitors.

## Principals

- **David Kane, Portfolio Manager.** David holds a Ph.D. in Political Economy from Harvard University and a B.A. in Philosophy and Economics from Williams College. David served as an officer in the United States Marine Corps from 1988 to 1991. David was a statistician at Numeric Investors from 1997-2001 and a portfolio manager at Geode Capital Management from 2001-2004. David founded Kane Capital in 2004.
- **Jeffrey Enos, Assistant Portfolio Manager.** Jeffrey holds a B.A. in Computer Science from Harvard College. He was a software engineer at Elytics, Inc from 2001-2002 and at Geode Capital Management from 2002-2004. Jeffrey has been with Kane Capital since 2004.

# Performance Summary

Since Inception<sup>1</sup> :

	Jan 1, 2005 to Dec 31, 2008
Average Annual Return	7.4%
Annualized Volatility	8.6%
Sharpe Ratio	0.9
Average LMV	542,000,000
Best Month	Nov, 2008 (11.0%)
Worst Month	Aug, 2008 (-3.8%)
Best Day	Dec 5, 2008 ( 4.5%)
Worst Day	Aug 9, 2007 (-3.9%)

By Year<sup>2</sup>:

	2005	2006	2007	2008	2008*
Total Return	3.7%	3.9%	10.7%	11.1%	3.6%
Annualized Volatility	3.5%	3.5%	8.3%	14.2%	10.5%
Sharpe Ratio	1.0	1.1	1.3	0.8	0.3
Average LMV	199,000,000	422,000,000	743,000,000	806,000,000	1,016,000,000
Best Month	Oct ( 1.4%)	Jun ( 2.3%)	Mar ( 3.1%)	Nov (11.0%)	Mar ( 4.6%)
Worst Month	May (-1.6%)	Jan (-1.2%)	Dec (-0.8%)	Aug (-3.8%)	Aug (-5.7%)
Best Day	Mar 1 ( 0.6%)	Jun 14 ( 0.6%)	Aug 13 ( 3.5%)	Dec 5 ( 4.5%)	Sep 29 ( 2.3%)
Worst Day	Jan 18 (-0.6%)	Aug 2 (-0.6%)	Aug 9 (-3.9%)	Nov 4 (-2.9%)	Aug 28 (-2.9%)

Monthly Returns (%):

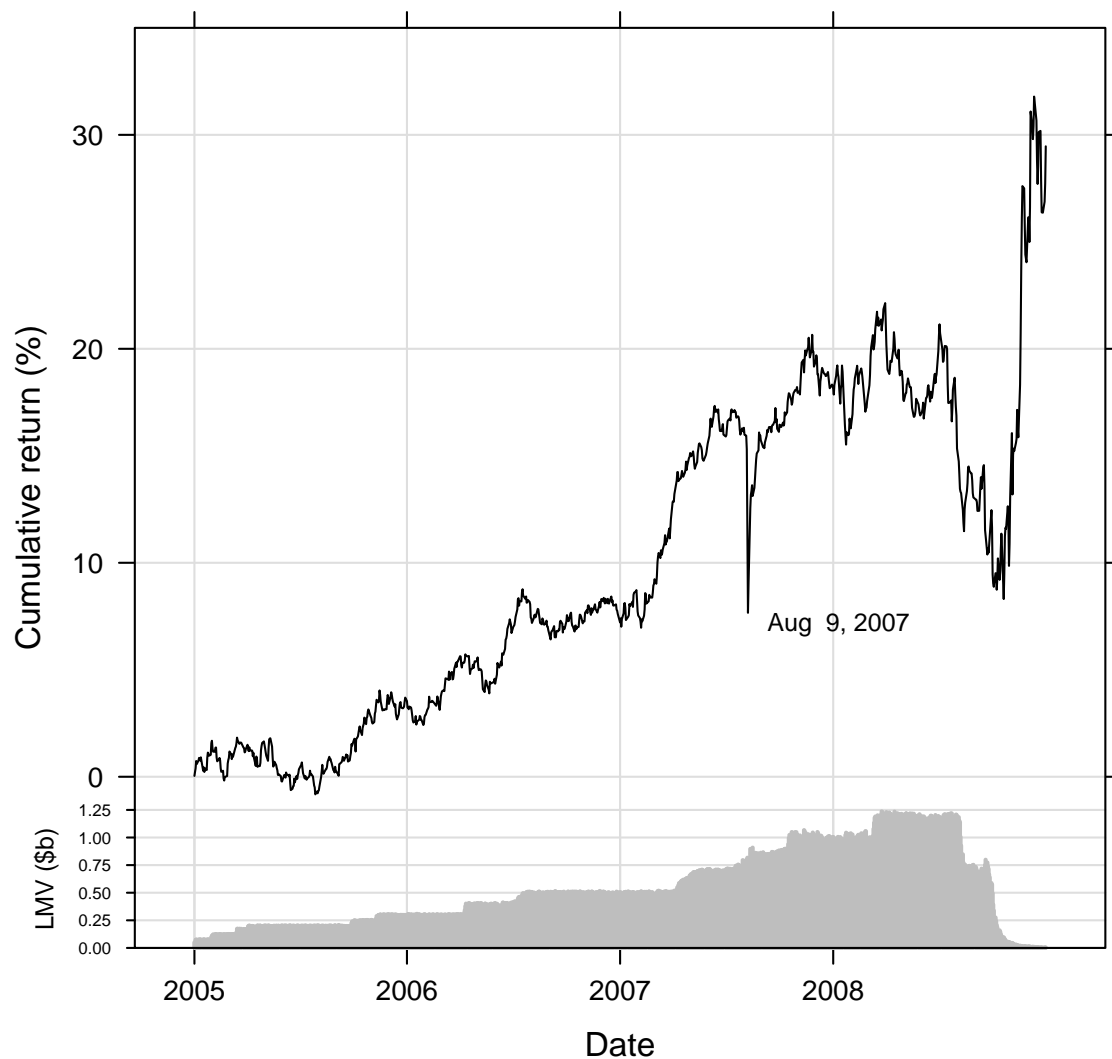
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	1.0	-1.0	1.1	0.4	-1.6	0.1	-1.0	1.0	1.3	1.4	0.9	-0.1
2006	-1.2	1.0	2.0	-0.1	-1.0	2.3	1.5	-1.2	-0.1	0.3	0.9	-0.5
2007	0.6	0.7	3.1	2.9	0.5	0.6	0.2	-0.5	0.5	1.8	1.1	-0.8
2008	-1.8	1.1	4.6	-3.7	-1.6	3.0	-3.0	-3.8	-1.4	1.4	11.0	5.4

<sup>1</sup>Average Annual Return is the mean of the four annual returns since inception. Annualized Volatility is  $\sqrt{252} * \text{sd}(\text{daily returns})$ . Sharpe Ratio is annualized daily return divided by annualized daily volatility. Average LMV is the mean long market value of the portfolio to the nearest million.

<sup>2</sup>Total Return is the sum of daily returns. 2008\* summarizes the return of the KCM portfolio from January 1 to June 30, and the buy-and-hold portfolio from July 1 to December 31. The buy-and-hold portfolio is the portfolio held by KCM at the close of business on June 30 and does not change over time. Its return is gross of commissions, financing, and fees. The KCM return is net of commissions and financing, and gross of fees.

## Daily Return History<sup>3</sup>

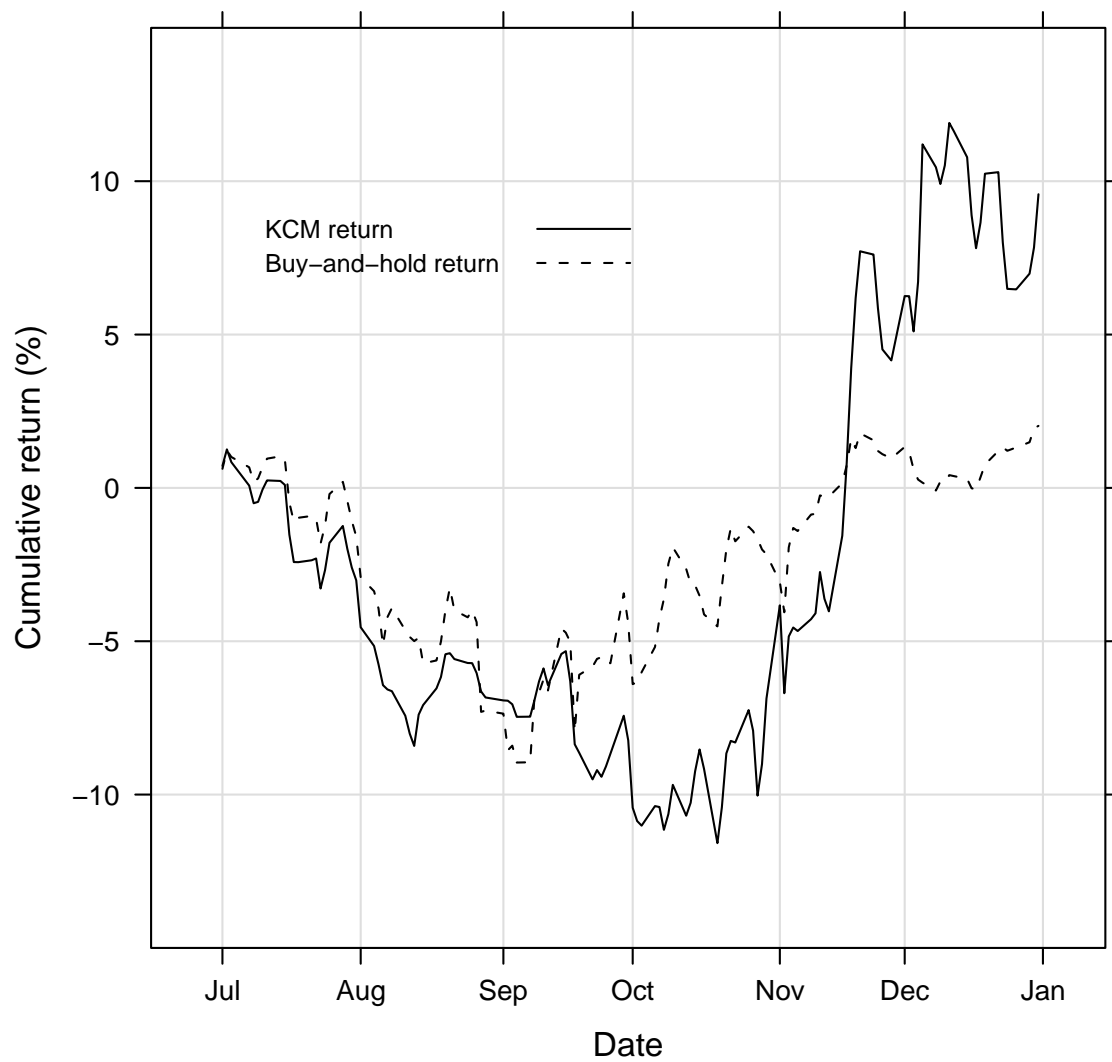
### KCM Performance, Jan 1, 2005 – Dec 31, 2008



<sup>3</sup>The KCM return is net of commissions and financing, and gross of fees. August 9, 2007 was the culmination of the famous quant meltdown. See “How Market Turmoil Waylaid the ‘Quants’” by Scott Patterson and Anita Raghavan in the *Wall Street Journal*, September 7, 2007.

## Buy-and-hold Comparison<sup>4</sup>

### KCM Performance Versus Buy-and-hold, July – Dec 2008



<sup>4</sup>The buy-and-hold portfolio is the portfolio held by KCM at the close of business on June 30, 2008 and does not change over time. Its return is gross of commissions, financing, and fees. The KCM return is net of commissions and financing, and gross of fees.