

SEPTEMBER 2009 UPDATE

FUND NET PERFORMANCE*		
<i>Funds</i>	<i>September</i>	<i>Year to Date</i>
Diversified	5.13%	22.27%
Buccaneer's	4.00%	13.87%
International Multistrategy	4.27%	12.31%
Asia Macro**	3.27%	0.75%
Asia Long Short**	3.84%	31.03%
Statistical Arbitrage**	2.29%	18.10%

**Firmwide Commentary**

The Galleon funds performed well in the month of September. In addition to maintaining our overweight stance in technology and healthcare, we have increased our exposure to the consumer sector. Entering October, consumer was our largest sector weighting. Consumer demand in the US continues to be generally weak, but has sequentially stabilized from earlier this year, particularly in branded apparel and consumer packaged goods.

In consumer staples, many companies are expecting volumes to turn positive over the next two quarters. Many companies that previously offered premium products are focusing on value offerings, repositioning existing products as value and introducing new products. As a result, our favorite longs are name brand companies that participate on a global scale, where recent restructuring and promotional strategies will give them the revenue growth necessary to drive earnings leverage in 2010 and beyond, and where the stocks are trading at attractive valuations.

On the consumer discretionary side, while we continue to see negative same store sales, traffic trends have sequentially stabilized and sales and margin comparisons are getting easier. There will be significant operating leverage at select retailers and apparel manufacturers with well-controlled inventory levels. We believe some of this anticipated Q4 margin upside is priced into current valuations, and therefore we are specifically focused on discretionary stocks where we expect both sales and operating margin improvements will continue to exceed current expectations into next year and beyond.

While we are sanguine about the market in the near term, we are cognizant of the potential risks to the global recovery in 2010. We continue to believe that we are transitioning from a beta driven market to a stock pickers market as modest economic growth may not support the types of longer term expectations that are being built into company earnings estimates and valuations in 2010-2011. As always, we will continue to develop our variant views on selected companies and sub-sectors in the US and Asia to create opportunities on both the long and the short side.

\* Estimated

\*\* Performance reflects the deduction of actual expenses and pro forma management and incentive fees. Current investors in these strategies include Galleon's multi-strategy funds, which invest in a non-fee paying class.

## SEPTEMBER 2009 UPDATE

### **Galleon Diversified** *Fundamentally Focused US Long/Short Equity*

The Fund returned +5.13% net for the month, bringing the year to date return to +22.27%. This compared to the S&P500 Index, which returned +3.73% for the month and +19.26% year to date. The fund was profitable in all five verticals with profits coming from the long side, while shorts detracted from performance. Consistent with the firm's positive view on technology, this sector was the largest contributor to profits. While the Fund maintained a long bias during the month (averaging 32% net long), the primary driver of returns was stock selection, particularly from the long side, where our long book appreciated in value much more than the market (and our short book), both on a market value and beta adjusted basis.

While the Fund's risk profile increased from last month, the return was once again achieved with a relatively low risk profile. For the month, the Fund ran with an average VaR of 63bps, staying in a tight range of 43bps to 87bps. The Fund continued to have a net long bias, ranging from 21% to 52% and averaging 37% for the month. As discussed in previous letters we see opportunities on both the long and short side of the book and therefore continued to increased gross exposure closer to our long term average. The Fund's gross exposure averaged 214% and ranged between 193% and 228%, and ranged between 167% and 205% when netted by underlying stock. While realized volatility has remained at relatively low levels, thus contributing to the decrease in VaR, we remain vigilant. We are cognizant this can change very quickly and continue to hold a liquid portfolio to allow us to adjust to changes in the market environment.

The Fund exited the month with gross of 219% (196% when netted by individual underlying stock), net of +37% (approximately +32% on a beta adjusted basis) and VaR of 56bps. At month end, the Fund is net long all five verticals with consumer the largest at 10%. Within consumer, the Fund's larger positions are within staples.

### **Galleon Buccaneer's** *Trading Focused US Long/Short Equity*

The Fund returned +4.00% net for the month, bringing the year to date return to +13.87%. This compared to the S&P500 Index, which returned +3.73% for the month and +19.26% year to date. The Fund was profitable in all four of the five verticals with healthcare being the lone detractor. In general, profits came from the long side, with the exception of financials, where profits were made both on the long and short side. Among sectors, technology was the largest contributor to profits. The primary driver of performance was stock selection, particularly from the long side, where our long book appreciated in value much more than the market (and our short book), both on a market value and beta adjusted basis.

While the Fund's risk profile increased from last month, mainly through an increase in net exposure, the return was once again achieved with a relatively low risk profile. The Fund's VaR averaged 68bps for the month and ranged between 47bps and 89bps. Gross ranged between 219% and 254%, averaging 236%, as we continue to see opportunities on both sides of the book. The portfolio continues to have a fair amount of optionality, and gross netted by underlying stock ranged between 177% and 218%, while averaging 195%. Net exposure averaged 49%, and ranged from +26% to +62%. However, on a beta adjusted basis, the Fund averaged slightly more than half the net exposure of +28% and ranged between +2% and +48%.

The Fund exited the month with gross of 250% (209% when netted by individual underlying stock), net of +49% (approximately +35% on a beta adjusted basis) and VaR of 67bps. At month end, the Fund is net long all five verticals with technology the largest at 15%. We continue to see opportunities for stock selection and therefore have maintained the size of our long and short books.

### **Galleon International Multistrategy Portfolio** *Asia Opportunistic Strategy*

The Fund returned +4.27% net for the month, bringing the year to date return to +12.31%. Risk assets were in vogue once again across the region as "goldilocks" was the dominant theme. Fixed income and equities were bid while the dollar was sold. Fund flows continue to remain positive and the big news was Korea being moved to developed market status by FTSE. In the FX world most Asian currencies reversed last month's trend and appreciated versus the greenback. Meanwhile the Yen strengthened yet again, breaking 90 and trading as low as mid 88 at one point during the month. While the fundamental backdrop remains supportive across the region, many new IPO's in both China and India traded poorly upon listing. Upcoming supply in the fourth quarter, combined with Asia ex-Japan trading above 2.1x price to book, are short term negative, while continued money flows and upward revisions to earnings are positives. We look to take our cue from third quarter earnings and will adjust out bias thereafter.

Both main strategies, Long/Short Equity and Macro, posted gains this month. The Fund entered with a long bias, increased exposure mid-month and reduced exposure towards month end. Net exposure averaged +26% and ranged between +18% and +33%. Gross exposure averaged 94% and ranged between 86% and 103%. The fund VaR averaged 67bps and ranged between 41bps and 134bps. By asset class, equities remain the biggest risk contributor and account for 85% of the total risk with balance in FX and Fixed Income. Details of long short and macro follow below.

## SEPTEMBER 2009 UPDATE

### **Galleon Asia Macro** *Asia Focused Regional Macro*

The Asia Macro Fund returned 3.27% net for the month, bringing the year to date return to +0.75% net. The major contributors to return were FX and Credit in that order, while Equities and Rates were flat for the month. In FX the Fund's short position in Sterling/Yen, and long position in Australian dollars accounted for the bulk of the FX profits. Tactical profits have been taken in these positions but we still maintain the view that current FX trends are intact into year end. In credit trading, the shift from bullet high grade corporate issues to callable and perpetual financial issues paid off. Bullet bond spreads widened on profit taking while bonds with call risk tightened as investors reached for yield and sentiment towards financial credit improved. Tactically we are lowering the Fund's credit exposure as we believe the bulk of the relative outperformance is done and the market is due for a correction.

At month end the fund's VaR was 0.73%, with Credit/Rates and FX accounting for almost all of the risk in the Fund.

### **Galleon Asia Long / Short** *Asia Focused Long/Short Equity*

The Asia Long / Short Fund returned +3.84% net for the month, bringing the year-to-date return to +31.03% . Traditionally a difficult month for the markets, September climbed a wall of worry and touched year to date highs. Asian equity markets focused on the continued weakness of the US Dollar, and the accommodative stance from a myriad of central bankers and policy makers. With this positive backdrop we maintained a long bias, averaging +41% net, and ranging between +26% and +55%. The Fund ran with modest gross exposure averaging 141% and ranging between 132% and 153%. VaR was also somewhat modest, averaging 90bps with a tight range of 56bps to 150bps. We maintain our positive stance on regional financials, in particular Korean banks, which continue to show NIM improvements into the 2nd half. We traded the Taiwan technology food chain long, as strong notebook and iPhone orders were demonstrated in monthly sales across the assembly and component food chain. India was a strong performer; the monthly data on auto sales confirmed our thesis, however they are reaching our price targets and being reduced. Thailand was also a standout, as property drove gains, on the back of a rerating and more favorable tax policy. The strength of the Yen is a problem for many exporters, and we have kept a short bias across many consumer electronics makers and auto components. October 1 marks the 60th anniversary of founding of the People's Republic of China, and post this celebration we will focus on the policy changes in the banking and property sectors. In addition, we will closely monitor the sell through post the Golden Week holiday as we expect this will be a key driver for consumption. This next revision of earnings is very important as we are now back at historical averages in terms of earnings and book multiples. The flood of new issuance and the poor performance of these primary and secondary deals remains a market overhang. In the fourth quarter there are 160 deals slated targeting \$90 billion, with a majority coming as equity. We expect this will likely cause markets to underperform in the short term thus we will look to trade the supply tactically.

The Fund exits September with a VaR of 59bps, net of +31% and gross of 132%. By country, largest risk exposures are in China, India, Indonesia, Australia and Singapore. Financials is the largest risk contributor by sector. Technology, cyclicals, and consumer also contribute, while the Fund has little exposure in healthcare.

### **Galleon Statistical Arbitrage** *Quantitative Market Neutral Equity*

The Galleon Quantitative Statistical Arbitrage Fund ("GQSA") returned +2.29% net for the month, bringing the year to date return to +18.10% net. The Galleon investment strategy, which integrates mean reversion and momentum price based models in a global portfolio, was profitable in each geographic region. In recent months, the multi-factor approach to price based trading has yielded the strongest returns in the European and Asian portfolios; in September the equity markets continued to exhibit good momentum and mean reversion opportunities throughout many markets. However, the multiple proprietary filters used to control leverage of the individual trading models remained cautious for most of the month. The gross exposure largely stayed low, approximately 180% (90 cents per side). Net exposure was approximately +7% and VaR averaged 55bps. In terms of sector attribution, the GQSA Fund was profitable in every sector in aggregate, with industrials, consumer discretionary and financials being the most profitable sectors across the global portfolio.

On the first business day of each month, Galleon Management, LP, through its administrator, distributes to its respective investors the estimated monthly and year-to-date performance numbers for each of the funds it manages. On the fifth business day of each month, Galleon International Management, LLC, through its administrator, distributes to its respective investors the estimated monthly and year-to-date performance numbers for the funds it manages. Monthly, Galleon Quantitative Management, LLC, through its administrator, distributes to its respective investors the estimated monthly and year-to-date performance numbers for each of the funds it manages.

The Galleon Group manages and has managed additional strategies. Performance of other strategies is available upon request.

This material does not constitute an offering of securities of any of Galleon's investment funds. Any such offering will be made solely on a private basis to a limited number of qualified investors pursuant to the terms of a definitive offering memorandum. The information contained herein is preliminary and summary in nature, is superseded and qualified by the more detailed information to be set forth in such memorandum and accordingly is not to be relied upon in making an investment. Past performance is no guarantee of future results. Investing in the fund is speculative and involves a high degree of risk, including the following: 1) the investor could lose all or a substantial amount of the investment; 2) use of a single adviser applying generally similar trading programs could mean lack of diversification and, consequentially, higher risk; 3) the fund's performance can be volatile; 4) there is no secondary market for the investor's interest and none is expected to develop; 5) there are restrictions on transferring interests in the fund; 6) the fund's fees and expenses may offset the fund's trading profits; 7) the fund may be leveraged. The references to specific regions and sectors are not intended to be and must not be relied upon as recommendations to purchase or sell investments in such regions or sectors.