CONTRAQUANT LIMITED

MARKET TIMING - SENTIMENT ANALYSIS - POSITION TRADING

SQ/BULLISH PROBABILITY of **25%** over the next 2 weeks to 4 months

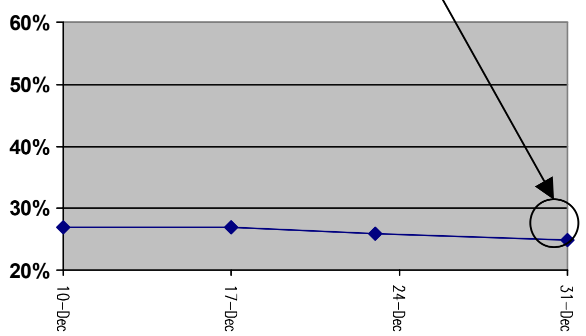
31st December 2004: OPEN SHORTS

Swing Trading Bulletin

Issue 33, Market Close, 31st Dec. 2004

SQ Bullish Probability

31st December '04: SQ = 25%



NOTE: "SQ" is a market timing system for contrarian "swing traders" (2 weeks to 4 months). It is 100% sentiment and probability based. A unique process of "scoring" various sentiment input indicators derives a bullish probability for the market - SQ. This activates the trading model (above right) at certain trigger points.

SQ Bullish Probability / **TRADING MODEL**

SQ Bullish Probability	TRADING MODEL
100% – 70%	NET LONG
70% – 55%	NO ACTION
55% – 45%	FLAT/ CLOSE TRADES
45% – 30%	NO ACTION
30% – 0%	**NET SHORT**

NASDAQ Composite CLOSING LEVEL

31st Dec. 2004, Closing Level:

2175

SQ INPUTS

The sentiment inputs come from the options market, market surveys, asset allocation and proprietary indicators.

Commentary

The last week saw a little upward movement even though the tsunami disaster in Asia slightly spiked up volatility from low levels. We are poised to build further on our open SHORT position in early 2005. Our model correctly timed most of the key market swings of 2004 as follows (NASDAQ level in brackets):

1. SHORT 9th Jan. 2004 (2087)
2. FLAT 30th Apr. 2004 (1920)
3. LONG 21st May 2004 (1912)
4. FLAT 2nd Jul. 2004 (2007)
5. LONG 6th Aug 2004 (1777)
6. FLAT 5th Nov. 2004 (2039)

NOTE: the above shows the dates and levels when reports were issued, not the actual trade dates and levels. Signals 1 and 2 are from the earlier monthly report format pre 21st May and therefore not counted in performance. The current signal is not included since the trade is not yet completed.

Trading Model Rules

All trades are against the NASDAQ Composite and executed either:

(i) Against the coming week's opening level of the Composite index.

(ii) Via limit/stop orders at a specified level as described in the prior week's report.

Zero transaction/trading costs assumed and no spread. No interest on cash balances. All stop and limit orders entered at the next market open on a "good until cancelled" basis; specified order levels correspond to the NASDAQ Composite. Cancellation can take place only within a report such as this. All trades executed at closest exact level (no fractions).

Current Trades and Open Positions

Trades Executed Last Week:

NONE.

Current Open Positions:

$US500,000 SHORT at average level of 2144 (opened on 1st, 2nd and 3rd December 2004)

$US619,963 in cash

Stop to Close all SHORT positions at 2480

Current Pending Orders:

Limit Orders as follows:

Open SHORT $US100k @ 2195

Open SHORT $US100k @ 2210

Open SHORT $US100k @ 2225

New Trades:

NONE.

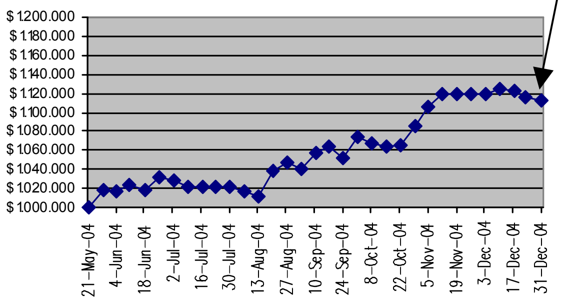
Weekly Performance Track (31st Dec. '04)

Starting Capital: US$1,000,000 (21st May 2004).

2 Winning Closed Trades, 0 Losing Closed Trades.

Change in NAV since 1 week: - 0.3%

Change in NAV since inception: **+11.3%**



Sent by email, Sunday 2nd Jannuary 2005, to Mr Jafar Omid, Mr Jack Schwager, Dr Andrew Coles, Mr Rupen Soochak, Mr Christian Voit, Mr Gerwin Kugi.