FMG BIO-MED HEDGE FUND LTD.
(In Liquidation)

Financial Statements
(With Auditors' Report Thereon)

March 31, 2010 and 2009

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AUDITORS' REPORT

To the Directors and Shareholders of
FMG Bio-Med Hedge Fund Ltd. (In liquidation)

We have audited the accompanying statement of assets and liabilities, of FMG Bio-Med Hedge Fund Ltd. (in liquidation) (the "Fund") as at March 31, 2010, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As described in Note 1 to the financial statements, the Board of Directors of the Fund approved a plan to voluntarily liquidate the Fund effective March 31, 2010. As a result, the Fund has changed its basis of accounting from a going concern basis to a liquidation basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMG Bio-Med Hedge Fund Ltd. (in liquidation) as at March 31, 2010, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in Bermuda and Canada.

KPMG

Chartered Accountants
Hamilton, Bermuda
October 6, 2010

FMG BIO-MED HEDGE FUND LTD. (In Liquidation)

Statement of Assets and Liabilities

March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Assets				
Investments in other investment companies and managed accounts (cost - nil; 2009 - $9,550,726) (See Schedule of Investments) (Notes 5 and 9)	$	–	$	6,691,605
Cash and cash equivalents (Note 5)		3,542,737		2,579,785
Receivable for investments sold		590,868		70,000
Unrealized gain on forward foreign exchange contracts (Note 9)		–		185,831
Other assets		–		5,353
Total assets		4,133,605		9,532,574
Liabilities				
Subscription received in advance		–		66,055
Redemption payable (Note 6)		3,102,076		556,576
Management fees payable (Note 3)		10,283		47,772
Administration fees payable (Note 4)		12,000		–
Accounts payable and accrued expenses		28,533		47,881
Total liabilities		3,152,892		718,284
Net assets		980,713		8,814,290
Less: attributable to 12,000 common shares (Note 6)		(12)		(12)
Net assets attributable to redeemable preference shares (Note 6)	$	980,701	$	8,814,278
Net assets attributable to 51,620 (2009 - 445,546) US Dollar redeemable preference shares	$	600,857	$	5,806,700
Net asset value per US Dollar redeemable preference share	$	11.64	$	13.03
Net assets of $276,895 (2009 - $2,613,726) attributable to 21,857 (2009 - 188,800) Euro redeemable preference shares	€	203,704	€	1,967,279
Net asset value per Euro redeemable preference share	€	9.32	€	10.41

See accompanying notes to financial statements

(Expressed in United States Dollars)

		2010		2009
Net assets of $70,155 (2009 - $98,425) attributable to 6,175 (2009 - 7,885) Euro 09 redeemable preference shares	€	51,932	€	74,082
Net asset value per Euro 09 redeemable preference share	€	8.41	€	9.39
Net assets of $32,794 (2009 - $295,427) attributable to 237 (2009 - 2,217) NOK redeemable preference shares	NOK	194,856	NOK	1,985,401
Net asset value per NOK redeemable preference share	NOK	821.00	NOK	895.46

See accompanying notes to financial statements

Signed on behalf of the Board

____ Director

____ Director

FMG BIO-MED HEDGE FUND LTD. (In Liquidation)

Schedule of Investments

March 31, 2009
(Expressed in United States Dollars)

	Cost	Fair Value	% of Net Assets	Redemption Frequency
Other Investment Companies				
Durus Life Sciences - Class B, Series 5	$ 260,706	$ –	–	–
Efficacy Biotech Fund, Series 04/05	1,499,973	1,562,562	17.73%	Quarterly
Efficacy Biotech Fund, Series 06/08	1,000,000	736,912	8.36%	Quarterly
Medcap Partners Offshore Ltd., Series B2	3,000,000	–	–	–
RA Capital Healthcare International Fund Ltd., Class B Series 2006-07.	1,000,000	1,332,896	15.12%	Quarterly
Tryphon Fund Inc - Series 09/00 Restricted	1,425,471	2,086,273	23.67%	Quarterly
Total investments in other investment companies	8,186,150	5,718,643	64.88%	
Managed Accounts*				
Marshal Account	1,241,575	897,275	10.18%	Daily
Mashreq Managed Account	123,001	75,687	0.86%	Daily
Total investments in managed accounts	1,364,576	972,962	11.04%	
Total investments in other investment companies and managed accounts	$ 9,550,726	$ 6,691,605	75.92%	

*At March 31, 2009, the Marshal Account was comprised of marketable equity securities with long positions with a fair value of $897,275. The Mashreq Managed Account was comprised of marketable equity securities with long positions with a fair value of $75,687. No single equity security was individually greater than 5% of the net assets of the Fund.

See accompanying notes to financial statements

FMG BIO-MED HEDGE FUND LTD. (In Liquidation)

Statement of Operations

Year ended March 31, 2010
(Expressed in United States Dollars)

	2010	2009
Investment income		
Interest income	$ –	$ 5,946
Dividend income	–	7,879
Other income	–	10,434
Total income	–	24,259
Expenses		
Management fees (Note 3)	115,755	183,173
Incentive fees (Note 3)	23,448	–
Administration fees (Note 4)	44,000	38,000
Interest and bank charges	2,756	9,265
Audit fees	21,050	34,895
Directors' and secretarial fees	13,208	12,689
Bermuda company fees	5,172	3,151
Custodian fees (Note 5)	3,857	6,454
Miscellaneous	16,827	10,150
Total expenses	246,073	297,777
Net investment loss	(246,073)	(273,518)
Realized and unrealized gains and losses on investments		
Net realized losses on sale of investments	(3,486,731)	(900,643)
Net realized gains and losses on forward foreign exchange contracts	322,996	(595,069)
Net realized losses on foreign currency	(49,788)	(239,202)
Net change in unrealized losses on investments	2,859,121	(128,678)
Net change in unrealized losses and gains on forward foreign exchange contracts	(185,831)	129,568
Net realized and unrealized losses on investments	(540,233)	(1,734,024)
Net decrease in net assets from operations	$ (786,306)	$ (2,007,542)

See accompanying notes to financial statements

FMG BIO-MED HEDGE FUND LTD. (In Liquidation)

Statement of Changes in Net Assets

Year ended March 31, 2010
(Expressed in United States Dollars)

	2010	2009
From operations		
Net investment loss	$ (246,073)	$ (273,518)
Net realized losses on sale of investments	(3,486,731)	(900,643)
Net realized gains and losses on forward foreign exchange contracts	322,996	(595,069)
Net realized losses on foreign currency	(49,788)	(239,202)
Net change in unrealized losses on investments	2,859,121	(128,678)
Net change in unrealized losses and gains on forward foreign exchange contracts	(185,831)	129,568
Net decrease in net assets from operations	(786,306)	(2,007,542)
From capital share transactions		
Proceeds from sale of 874 (2009 - 69,764) US Dollar redeemable preference shares	11,385	1,068,759
Proceeds from sale of 13,365 (2009 - nil) US Dollar 09 redeemable preference shares	131,797	–
Proceeds from sale of nil (2009 - 135,678) Euro redeemable preference shares	–	2,355,371
Proceeds from sale of nil (2009 - 7,885) Euro 09 redeemable preference shares	–	99,950
Proceeds from sale of 3 (2009 - 190) NOK redeemable preference shares	356	25,858
Payment on redemption of 394,800 (2009 - 700,059) US Dollar redeemable preference shares	(4,625,320)	(10,443,070)
Payment on redemption of 13,365 (2009 - nil) US Dollar 09 redeemable preference shares	(119,219)	–
Payment on redemption of 166,943 (2009 - 8,519) Euro redeemable preference shares	(2,144,853)	(155,945)
Payment on redemption of 1,710 (2009 - nil) Euro 09 redeemable preference shares	(19,427)	–
Payment on redemption of 1,983 (2009 - 624) NOK redeemable preference shares	(281,990)	(118,250)
Net decrease in net assets from capital share transactions	(7,047,271)	(7,167,327)
Net decrease in net assets attributable to redeemable preference shares	(7,833,577)	(9,174,869)
Net assets attributable to redeemable preference shares at the beginning of the year	8,814,278	17,989,147
Net assets attributable to redeemable preference shares at the end of the year	$ 980,701	$ 8,814,278

See accompanying notes to financial statements

FMG BIO-MED HEDGE FUND LTD. (In Liquidation)

Statement of Cash Flows

March 31, 2010
(Expressed in United States Dollars)

	2010	2009
Cash flows from operating activities:		
Net decrease in net assets from operations	$ (786,306)	$ (2,007,542)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:		
Change in assets and liabilities:		
Net change in investments and derivative financial instruments	6,877,436	6,755,512
Receivable for investments sold	(520,868)	739,722
Other assets	5,353	967
Management and incentive fees payable	(37,489)	(48,182)
Administration fees payable	12,000	(9,000)
Accounts payable and accrued expenses	(19,348)	24,520
Net cash provided by operating activities	5,530,778	5,455,997
Cash flows from financing activities		
Proceeds from issue of redeemable preference shares	77,483	3,615,993
Payments on redemptions of redeemable preference shares	(4,645,309)	(10,160,689)
Net cash used in financing activities	(4,567,826)	(6,544,696)
Net increase (decrease) in cash and cash equivalents	962,952	(1,088,699)
Cash and cash equivalents at beginning of year	2,579,785	3,668,484
Cash and cash equivalents at end of year	$ 3,542,737	$ 2,579,785

See accompanying notes to financial statements

1. **Operations**

FMG Bio-Med Hedge Fund Ltd. (the "Fund") was incorporated in Bermuda on April 11, 2000 as an open-ended investment fund, empowered by its bye-laws to issue, redeem and reissue its own shares at prices based on their net asset value.

The Fund invests in other investment companies, limited partnerships and managed accounts managed by fund managers throughout the world, in the healthcare sector, with the objective of earning a return in excess of that earned on the Standard & Poors 500 Index.

In a letter addressed to the investors of the Fund dated February 17, 2010 FMG Fund Managers Limited disclosed that it will close down the Fund effective March 31, 2010. As a result, the Fund changed its basis of accounting from a going concern basis to a liquidation basis.

2. **Significant accounting policies**

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The following are the significant accounting policies adopted by the Fund:

(a) Investment transactions and valuation

Investments are categorized as held for trading in accordance with CICA Section 3855, *Financial Instruments – Recognition and Measurement* ("Section 3855") and therefore are recorded at fair value. Investments in other investment companies and limited partnerships are recorded on the effective date of the subscription or contribution, respectively, and are valued at their net asset value as reported by the administrators of the other investment companies and limited partnerships. Where net asset values are not reported on a timely basis, the Manager (Note 3) may estimate the net asset value based on information provided by the other investment companies and limited partnerships. The other investment companies and limited partnerships in which the Fund invests generally value securities traded on a national securities exchange or reported on a national market and securities traded in the over-the-counter market at the last reported bid price if held long and the last reported ask price if sold short on the valuation day. Realized gains or losses on sale of investments are determined on an average cost basis. Realized gains and losses and the net change in unrealized gains and losses are included in the statement of operations.

The Fund may allocate its assets to an advisor by retaining the advisor to manage a managed account for the Fund rather than investing in the advisor's investment vehicle. Unlike an investment in a fund, the Fund will not receive shares or any other form of title, but will simply rank as a creditor of the advisor. There will be no investment capable of being held by the Fund's custodian on behalf of the Fund and the Fund's custodian will not be involved in providing custody for the assets held in the managed account. The advisor for the managed account will make separate custody arrangements for the investments held therein. Any loss arising as a result of an investment in a managed account will be borne by the shareholders.

The investment in the equity securities within the managed accounts are accounted for on a trade date basis. The securities within the managed accounts that are traded on a national securities exchange are valued at the last reported bid price if held long and last reported ask price if held short. The interest income, dividend income and realized gains and losses arising from the managed account are included in the relevant line items in the statement of operations. Cash attributable to the managed accounts is included within cash and cash equivalents in the statement of assets and liabilities.

2. **Significant accounting policies** (continued)

(b) Forward foreign exchange contracts

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro, GBP and NOK classes of redeemable preference shares to manage the Fund's exposure to changes in the US Dollar/Euro, US Dollar/GBP and US Dollar/NOK exchange rates. Forward foreign exchange contracts are recorded at fair value at the reporting date. The unrealized gain or loss on open forward foreign exchange contracts on each valuation date is the difference between the contract exchange rate and the forward exchange rate at the valuation date, as reported by published sources, applied to the face amount of the contract. The unrealized gain or loss at the reporting date is included in the statement of assets and liabilities. Realized and unrealized changes in the fair value of the contracts are included in the statement of operations in the period in which the change occurs and are attributed entirely to the classes of redeemable preference shares to which the individual contracts relate (Notes 2(c) and 9(e)).

(c) Allocation of profits and losses

The profit or loss of the Fund for each month, before management and incentive fees, is allocated at the end of each month between the US Dollar, Euro, GBP and NOK classes of redeemable preference shares (Note 6). The amount is allocated in proportion to the relative net assets of each class of redeemable preference shares on the first day of the month after adding subscriptions and deducting redemptions effective that day. Realized and unrealized gains and losses on forward foreign exchange contracts entered into for the purpose of hedging currency exposure on non US Dollar denominated share classes are allocated to the appropriate class of redeemable preference shares. Management and incentive fees are calculated separately for each class of redeemable preference shares (Note 3).

(d) Foreign currency transactions

Foreign currency investments and balances that are monetary items have been translated into US dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions have been translated at the rate in effect at the date of the transaction. Any realized exchange adjustments are included in the related caption in the statement of operations.

(e) Interest income and expense

Interest income and expense are recognized on the accrual basis of accounting.

(f) Cash and cash equivalents

Cash and cash equivalents include cash and money market funds held with an original maturity of ninety days or less.

(g) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

2. **Significant accounting policies** (continued)

(h) Changes in accounting policies

On April 1, 2008, the Fund adopted CICA Section 3862, *Financial Instruments – Disclosures* (“Section 3862”) and CICA Section 3863, *Financial Instruments – Presentation* (“Section 3863”), replacing Section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Fund manages those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect of financial instruments.

3. **Management, incentive and load fees**

Management fees

The Fund pays FMG Fund Managers Limited (the “Manager”) a management fee at a rate of 1.5% per annum of the net assets attributable to each class of redeemable preference shares of the Fund, calculated on a monthly basis and payable quarterly. For the year ended March 31, 2010, this management fee was $102,124 (2009 - $171,144), of which $10,283 (2009 - $38,620) was payable at March 31, 2010.

The Fund also pays management fees to the manager of the managed account. For the year ended March 31, 2010, the Fund paid management fees of $13,631 (2009 - $12,029) of which $nil (2009 - $9,152) were payable at March 31, 2010.

Incentive fees

The Fund also pays to the Manager an incentive fee of 10% of the net profits attributable to each class of redeemable preference shares, calculated monthly and payable quarterly. Net profits are defined as the amount by which cumulative profits attributable to each class of redeemable preference shares, before the incentive fee but after deduction of all transaction costs, management fees and expenses, exceeds a hurdle rate equal to the amount that would have been earned in that fiscal period had the assets of the Fund been invested at the USD 12-month LIBOR rate at the beginning of the fiscal period. Net profits include both realized and unrealized gains less losses on investments. If the net profit for a month is negative, it will be carried forward (“carry forward losses”). No incentive fee will be payable until the net profits in subsequent month(s) exceed carry forward losses and the hurdle as discussed above, together with any cumulative actual losses incurred in previous fiscal years, adjusted for redemptions. However, the net profit amount, upon which performance fees are calculated, is not offset by actual losses incurred in previous fiscal years at the time the performance fee becomes payable. Once earned, the incentive fee will be retained by the Manager regardless of the Fund’s future results.

No incentive fees were earned or remained payable for the years ended March 31, 2010 and 2009.

The Fund also pays incentive fees to the manager of the managed account. For the year ended March 31, 2010, the Fund paid incentive fees of $23,448 (2009 - $nil) of which no fees were payable at March 31, 2010.

Load fees

The Manager may charge load fees of up to 5% of the amount subscribed. When charged, these load fees will reduce the amount available to shareholders for the purchase of redeemable preference shares in the Fund. As at March 31, 2010, $nil (2009 - $8,760) of load fees payable were included within accounts payable and accrued expenses.

One of the directors of the Fund is also a director of the Manager.

4. **Administration fees**

Effective September 1, 2003, Apex Fund Services Limited (the "Administrator") became the administrator, registrar and transfer agent for the Fund. For services provided, the Fund pays fees at the higher of $2,000 per month for net assets up to $10 million and $3,000 per month for net assets exceeding $10 million, or ten basis points of the Fund's net assets per annum. Effective December 1, 2008, the minimum fee was increased to $3,000 per month for net assets up to $10 million and $4,000 per month for net assets exceeding $10 million. For the year ended March 31, 2010, administration fees were $44,000 (2009 - $38,000), of which $12,000 was payable at March 31, 2010 (2009 - $2,000).

One of the directors of the Fund is also the Managing Director of the Administrator.

5. **Custodian fees**

Effective August 14, 2009, Credit Suisse AG (the "Custodian") was appointed as custodian to the Fund. Fees for custody services are charged at 7 basis points per annum of the value of the net assets of the Fund under custody subject to an annual minimum of CHF 5,500. In addition, a set up fee of US$ 1,500 will be payable together with all reasonable disbursement and out-of-pocket expenses. Prior to August 14, 2009, HSBC Institutional Trust Services (Bermuda) Limited was the Custodian for the Fund. Fees for custody services provided prior to August 14, 2009 were charged at the higher of $3,000 per annum or five basis points of the gross asset value of custodied investments (calculated monthly). In addition, custody transaction fees were chargeable on individual transactions on a sliding scale, depending on the market and type of security.

Effective August 26, 2009 the Fund granted the Custodian a right of lien against all currency accounts and investments in other investment companies held by the Custodian on the Fund's behalf. The purpose of the right of lien is to secure any and all claims of the Custodian against the Fund arising from any current or future agreements or contracts as well as claims on other legal grounds resulting from business operations with the Fund.

6. **Share capital**

The authorized share capital of the Fund is $12,000, which is divided into 12,000 common shares of par value of $0.001 each and 11,988,000 redeemable preference shares (the "Shares"), issued as US Dollar Class Shares, Euro Class Shares, US Dollar Class 09 Shares, Euro Class 09 and NOK Class Shares with a par value of $0.001 each.

The holder of the common shares is not entitled to receive dividends, may not redeem their holding and is only entitled to be repaid the par value of the common shares upon a winding up or distribution of capital.

The common shares are entitled to one vote per share at a general meeting. All the common shares are owned by the Manager (Note 3).

Each of the redeemable preference shares carries no preferential or pre-emptive rights upon the issue of new redeemable preference shares and has no voting rights at general meetings of the Fund.

Effective February 1, 2009, US Dollar Class 09 Shares and Euro Class 09 Shares were offered for sale. Effective March 1, 2009, US Dollar Class Shares and Euro Class Shares were closed to additional subscriptions, except in situations where approved by the Board of Directors and the Manager. US Dollar Class 09 and Euro Class 09 Shares have identical rights to the US Dollar Class and Euro Class Shares.

6. **Share capital** (continued)

Shares may be purchased and redeemed on a Dealing Day, which is generally the first business day of each calendar month. Shares may be purchased at the net asset value per share calculated at the immediately preceding Valuation Day, generally the last business day of the preceding month. Shares may be redeemed with 7 business days' written notice at their net asset value per share, subject to certain restrictions as described in the Prospectus.

If on any Valuation Day, any shareholder wishes to redeem Shares totaling more than 5% of the issued capital of the Fund or several shareholders wish to redeem Shares totaling more than 15% of the issued capital of the Fund, the Directors may defer redemption of such Shares, and the calculation of the redemption price, to a subsequent Dealing Day being not later than the fifth Dealing Day following receipt of the application for redemption. In such cases, suspended subscription and redemption requests shall be carried out on the basis of the next net asset value.

As at March 31, 2010, FMG Combo Fund Ltd., which is also managed by the Fund's Manager, owns nil% (2009 - 28.35%) of the US Dollar redeemable preference shares. FMG (EU) Bio-Med Hedge Fund Ltd., which is also managed by the Fund's Manager, owns nil% (2009 - 44.92%) of the Class B Euro redeemable preference shares. Included in redemptions payable as at March 31, 2010 is an amount of $1,015,372 payable to FMG (EU) Bio-Med Hedge Fund Ltd.

7. **Overdraft facility**

During the year the Fund had an overdraft facility in the amount of $5,000,000 with HSBC Bank Bermuda Limited (the "Bank"). Collateral for the overdraft facility is a fixed and floating charge over the investment portfolio and deposits held in the Fund's restricted account with the Bank. Aggregate drawings on the facility are limited to the lesser of $5,000,000 or 15% of the net asset value of the Fund. Borrowings bear interest at LIBOR plus 1.5% per annum which is payable monthly. Effective August 31, 2009 the Fund closed its custody account with the Bank which resulted in the termination of this facility.

8. **Taxation**

Under current Bermuda laws, the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2016.

It is management's belief that the Fund is not engaged in a United States trade or business and will not be subject to United States income or withholding taxes in respect of the profits and losses of the Fund other than the 30% withholding tax on US source dividends.

As a result, management has made no provision for income taxes in these financial statements.

9. Financial instruments and risk management

The Fund's investment activities expose it to a variety of financial risks. The schedule of investments presents the investments held by the Fund as at the end of the year.

(a) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investments in other investment companies are not traded in an organized public market. As a result, the Fund may not be able to quickly liquidate its investments at their stated fair value in order to meet its liquidity requirements, including redemption requests from its shareholders. The Fund's exposure to liquidity risk is managed by the Manager.

Some of the other investment companies and limited partnerships in which the Fund invests may deal or trade in derivative financial instruments as their principal investment activity or use these instruments as part of their investment strategy. This may result in market and credit risks to those other investment companies in excess of the amount invested in these instruments. However, the Fund's risk is limited to the net asset value of its investments in those other investment companies and limited partnerships.

The schedule of investments summarizes the redemption frequencies of the Fund's investments in other investment companies and limited partnerships at March 31, 2009. At March 31, 2010 the Fund did not hold any investments in other investment companies and limited partnerships.

The liabilities of the Fund are comprised of redemptions payable, management fees payable and accrued expenses and accounts payable and these fall due within 3 months of the balance sheet date.

(b) Interest rate risk

Interest rate risk arises when a fund invests in interest-bearing financial instruments. The Fund does not hold investments which are sensitive to interest rates but is indirectly exposed to the interest rate risk of the investments held by the investment companies and limited partnerships in which the Fund invests.

(c) Credit risk

Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Fund has cash and cash equivalents and derivative positions and investments held in the custody of a major bank with a long term credit rating of Aa2 issued by Moody's. As the Fund invests in other investment companies, the Fund is exposed to the credit risk of each of those underlying investment companies. The maximum amount of credit exposure is represented by the carrying amounts of the investments listed on the schedule of investments.

Bankruptcy or insolvency of the Custodian may cause the Funds' rights to be delayed with respect to the cash and cash equivalents and investments held in the custodial relationship. The manager monitors the credit quality and the financial position of the Custodian and should it decline significantly, the manager will move cash holdings and custodial relationships to another institution.

As at March 31, 2009 the Fund held managed account investments in The Marshal Account and the Mashreq Managed Account which had fair values of $897,275 and $75,687, respectively. Mashreq Bank and Premier Investment Funds Limited act as the advisors for the respective managed accounts. Unlike an investment in a fund, the Fund will not receive shares or any other form of title for these investments, but will simply rank as creditor of the advisors. The advisors for the managed accounts make separate custody arrangements for the investments held therein. The managed accounts were disposed of during the year ended March 31, 2010.

9. **Financial instruments and risk management** (continued)

(d) Market risk

Market risk is the risk that the changes in interest rates, foreign exchange rates or securities prices will affect the fair value of the financial instruments held by the Fund.

The Fund is indirectly exposed to the market risk of the investments held by the other investment companies, limited partnerships and managed accounts in which the Fund invests. Some of those other investment companies and limited partnerships may deal or trade derivative financial instruments as their principal investment activity or use these instruments as part of their investment strategy. This may result in market risk to those other investment companies in excess of the amount invested in these securities. However, the Fund's risk is limited to the net asset value of its investments in those other investment companies and limited partnerships. As at March 31, 2010, the Fund did not own any investments in other investment companies.

At March 31, 2009, if the price of the investments increased by 5%, this would have increased the net assets resulting from operations and the net assets attributable to holders of redeemable preference shares by $334,580; an equal change in the opposite direction would have decreased the net assets resulting from operations and the net assets attributable to holders of redeemable preference shares by an equal amount.

(e) Currency risk

The Fund may invest in other investment companies, limited partnerships and managed accounts and enter into transactions denominated in currencies other than the US dollar. Consequently, the Fund is exposed to risks that the exchange rate of the US dollar relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the US dollar.

	Monetary Assets	Monetary Liabilities	Net assets attributable to non-USD denominated share classes	Forward FX Contracts	Net Exposure
March 31, 2010					
EUR	$ –	$ (1,646,115)	$ (347,050)	$ –	$ (1,993,165)
NOK	–	(164,319)	(32,794)	–	(197,113)
	$ –	$ (1,810,434)	$ (379,844)	$ –	$ (2,190,278)

	Monetary Assets	Monetary Liabilities	Net assets attributable to non-USD denominated share classes	Forward FX Contracts	Net Exposure
March 31, 2009					
EUR	$ –	$ –	$ (2,712,151)	$ 2,717,327	$ 5,176
NOK	–	–	(295,427)	301,007	5,580
INR	1,118,869	–	–	–	1,118,869
AED	75,687	–	–	–	75,687
	$ 1,194,556	$ –	$ (3,007,578)	$ 3,018,334	$ 1,205,312

9. **Financial instruments and risk management** (continued)

(e) Currency risk (continued)

The amounts in the above table are based on the carrying values of monetary assets and liabilities, net assets attributable to non-USD denominated share classes and the underlying notional amounts of forward foreign exchange contracts.

Forward foreign exchange contracts are entered in to by the Fund to hedge exposure to monetary assets and liabilities denominated in currencies other than USD and to hedge the exposure of certain share classes denominated in currencies other than USD.

The gains and losses on forward foreign exchange contracts entered into for the purpose of hedging the exposure to monetary assets and liabilities are recorded in gains and losses on forward foreign exchange contracts in the statement of operations. The gains and losses on contracts entered into for the purpose of hedging the exposure of share classes denominated in currencies other than USD are also recorded in gains and losses on forward foreign exchange contracts in the statement of operations, but are allocated specifically to the non-USD denominated share classes to which the hedging activities, and resultant gains and losses, relate.

At March 31, 2010, had the US Dollar strengthened by 5% in relation to the above currencies, there would be an approximate net impact of $nil (2009 - $(59,728)) on the statement of operations and net assets of the Fund arising from the change in the carrying value of monetary assets, net of the effect of hedging instruments. There would also be an approximate net impact of $109,514 (2009 - $(537)) on the statement of operations and on the net assets attributable to the hedged non-USD denominated share classes. A 5% weakening of the US Dollar against the above currencies would have resulted in an approximate equal but opposite effect. Actual results may differ from this sensitivity analysis and the difference could be material to the financial statements.

At March 31, 2010, the Fund had no open forward foreign exchange contracts. At March 31, 2009, the Fund had the following open forward foreign exchange contracts:

Currency to be bought		Currency to be sold		Contract due date		Fair value
EUR	2,166,582	USD	2,717,327	April 2, 2009	$	161,194
NOK	2,188,473	USD	301,007	April 2, 2009		24,637
Net unrealized gain on open forward foreign exchange contracts					$	185,831

(f) Capital management

The Fund's objectives in managing the redeemable preference shares are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable preference shares is discussed in note 9(a).

The Fund is not subject to any externally imposed capital requirements.

10. **Subsequent events**

On August 30, 2010 the Board of Directors passed a resolution that the Fund cease operations and wind up effective March 31, 2010. Subsequent to year end the outstanding Shares were redeemed and the Fund was liquidated.