

FMG GLOBAL HEDGE FUND LTD.

Financial Statements
(With Auditors' Report Thereon)

March 31, 2010 and 2009



KPMG

Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda
Mailing Address:
P.O. Box HM 906
Hamilton HM DX, Bermuda

Telephone 441 295-5063
Fax 441 295-9132
www.kpmg.bm

AUDITORS' REPORT

To the Directors and Shareholders of
FMG Global Hedge Fund Ltd.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of FMG Global Hedge Fund Ltd. (the "Fund") as at March 31, 2010, and the related 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMG Global Hedge Fund Ltd. 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.

Chartered Accountants
Hamilton, Bermuda
October 6, 2010

FMG GLOBAL HEDGE FUND LTD.

Statement of Assets and Liabilities

March 31, 2010

(Expressed in United States Dollars)

	<u>2010</u>	<u>2009</u>
Assets		
Investments in other investment companies and limited partnerships (cost - \$86,023; 2009 - \$10,436,626) (See Schedule of Investments) (Notes 5, 7, 10 and 11)	\$ 62,170	\$ 8,427,847
Cash and cash equivalents (Note 5)	5,142,525	3,253,700
Receivable for investments sold	161,380	1,037,010
Unrealized gain on forward foreign exchange contracts (Notes 7 and 10)	13,528	243,210
Prepaid expenses	<u>4,998</u>	<u>3,486</u>
 Total assets	 <u>5,384,601</u>	 <u>12,965,253</u>
Liabilities		
Redemption payable (Note 6)	3,171,245	1,479,013
Management and incentive fees payable (Note 3)	20,975	48,231
Unrealized loss on forward foreign exchange contracts (Notes 7 and 10)	15,248	55,157
Administration fees payable (Note 4)	12,000	12,000
Accounts payable and accrued expenses	<u>29,358</u>	<u>26,972</u>
 Total liabilities	 <u>3,248,826</u>	 <u>1,621,373</u>
 Net assets attributable to redeemable preference shares (Note 6)	 <u>\$ 2,135,775</u>	 <u>\$ 11,343,880</u>
 Net assets attributable to 40,363 (2009 - 53,970) US Dollar Class A redeemable preference shares	 <u>\$ 862,859</u>	 <u>\$ 1,174,335</u>
 Net asset value per US Dollar Class A redeemable preference share	 <u>\$ 21.37</u>	 <u>\$ 21.75</u>
 Net assets attributable to 13,889 (2009 - 122,258) US Dollar Class B USD redeemable preference shares	 <u>\$ 722,654</u>	 <u>\$ 6,473,331</u>
 Net asset value per US Dollar Class B redeemable preference share	 <u>\$ 52.00</u>	 <u>\$ 52.94</u>

See accompanying notes to financial statements

FMG GLOBAL HEDGE FUND LTD.

Statement of Assets and Liabilities (continued)

March 31, 2010

(Expressed in United States Dollars)

	<u>2010</u>	<u>2009</u>
Net assets of \$232,094 (2009 - \$3,165,482) attributable to 4,048 (2009 - 55,230) Euro Class B redeemable preference shares	€ <u>171,807</u>	€ <u>2,382,570</u>
Net asset value per Class Euro B redeemable preference share	€ <u>42.39</u>	€ <u>43.13</u>
Net assets of \$27,374 (2009 - \$26,368) attributable to 367 (2009 - 367) GBP Class B redeemable preference shares	£ <u>18,041</u>	£ <u>18,379</u>
Net asset value per GBP Class B redeemable preference share	£ <u>49.07</u>	£ <u>49.99</u>
Net assets of \$290,794 (2009 - \$504,364) attributable to 1,889 (2009 - 3,721) NOK Class B redeemable preference shares	NOK <u>1,727,841</u>	NOK <u>3,389,543</u>
Net asset value per NOK Class B redeemable preference share	NOK <u>914.33</u>	NOK <u>910.76</u>

See accompanying notes to financial statements

Signed on behalf of the Board

Director_____
Director

FMG GLOBAL HEDGE FUND LTD.

Schedule of Investments

March 31, 2010

(Expressed in United States Dollars)

<u>Other Investment Companies</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>	<u>Redemption Frequency</u>
Ecofin Global Utilities Hedge Fund Ltd. USD SI Shares	\$ 86,023	\$ 62,170	2.91%	Nil
Total investments in other investment companies	\$ <u>86,023</u>	\$ <u>62,170</u>	<u>2.91%</u>	

See accompanying notes to financial statements

FMG GLOBAL HEDGE FUND LTD.

Schedule of Investments

March 31, 2009

(Expressed in United States Dollars)

<u>Limited Partnerships</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>	<u>Redemption Frequency</u>
Armor Capital Partners, LP	\$ <u>438,700</u>	\$ <u>451,534</u>	<u>3.98%</u>	Quarterly
Total investments in limited partnerships	<u>438,700</u>	<u>451,534</u>	<u>3.98%</u>	
<u>Other Investments Companies</u>				
Ecofin Global Utilities Master Fund Limited	433,269	405,105	3.58%	Monthly
Ecofin Global Utilities Hedge Fund Ltd. USD SI Shares	97,420	93,638	0.83%	Nil
Faringdon Alpha One	1,145,678	1,001,583	8.83%	Monthly
Horseman European Select Fund Limited Class A USD	1,500,000	1,576,036	13.89%	Monthly
F2 Persistent Alpha Enhanced USD Share	2,000,000	–	0.00%	Nil
SVM Highlander Fund plc – USD Class	1,142,737	1,103,215	9.73%	Weekly
Seligman Spectrum Focus Fund – Class A2 Series SM - New Issue Restricted	475,000	490,300	4.32%	Quarterly
Seligman Spectrum Focus Fund – Class A2 Series 2 - New Issue Restricted	1,186,169	1,225,180	10.80%	Monthly
Sio Partners Offshore, Ltd – Class B, Series 1	837,836	862,982	7.60%	Monthly
Systematic Alpha Futures Fund, Ltd Class A	429,817	547,231	4.82%	Weekly
Visio Capital Dynamic Hedge – South Africa Segregated Portfolio	<u>750,000</u>	<u>671,043</u>	<u>5.92%</u>	Monthly
Total investments in other investment companies	<u>9,997,926</u>	<u>7,976,313</u>	<u>70.32%</u>	
Total investments in other investment companies and limited partnerships	\$ <u>10,436,626</u>	\$ <u>8,427,847</u>	<u>74.30%</u>	

FMG GLOBAL HEDGE FUND LTD.

Statement of Operations

Year Ended March 31, 2010

(Expressed in United States Dollars)

	<u>2010</u>	<u>2009</u>
Investment income		
Interest income	\$ 30	\$ 2,032
Rebate income (Notes 2(f) and 3)	-	10,244
Other income	<u>4,108</u>	<u>-</u>
Total income	<u>4,138</u>	<u>12,276</u>
Expenses		
Management fees (Note 3)	139,089	274,271
Administration fees (Note 4)	39,000	52,000
Custodian fees (Note 5)	6,713	18,005
Overdraft interest and bank charges (Note 8)	10,004	20,312
Audit fees	27,100	31,423
Directors' and secretarial fees	11,840	14,188
Bermuda company fees	2,540	3,151
Miscellaneous	<u>13,490</u>	<u>12,586</u>
Total expenses	<u>249,776</u>	<u>425,936</u>
Net investment loss	<u>(245,638)</u>	<u>(413,660)</u>
Realized and unrealized gains and losses on investments		
Net realized losses and gains on sale of investments	(1,698,016)	1,036,366
Net realized gains and losses on forward foreign exchange contracts and foreign exchange	387,053	(695,645)
Net change in unrealized losses on investments	1,984,925	(5,079,111)
Net change in unrealized losses and gains on forward foreign exchange contracts	<u>(189,773)</u>	<u>22,590</u>
Net realized and unrealized gains and losses on investments	<u>484,189</u>	<u>(4,715,800)</u>
Net increase (decrease) in net assets from operations	<u>\$ 238,551</u>	<u>\$ (5,129,460)</u>

See accompanying notes to financial statements

FMG GLOBAL HEDGE FUND LTD.

Statement of Changes in Net Assets

Year Ended March 31, 2010

(Expressed in United States Dollars)

	<u>2010</u>	<u>2009</u>
From operations		
Net investment loss	\$ (245,638)	\$ (413,660)
Net realized losses and gains on sale of investments	(1,698,016)	1,036,366
Net realized gains and losses on forward foreign exchange contracts	387,053	(695,645)
Net change in unrealized losses on investments	1,984,925	(5,079,111)
Net change in unrealized losses and gains on forward foreign exchange contracts	<u>(189,773)</u>	<u>22,590</u>
Net increase (decrease) in net assets from operations	<u>238,551</u>	<u>(5,129,460)</u>
From capital share transactions		
Proceeds from sale of 1,241 (2009 - 49,871) US Dollar Class B redeemable preference shares	65,723	3,457,611
Proceeds from sale of 3,397 (2009 - 33,378) Euro Class B redeemable preference shares	194,635	2,308,635
Proceeds from sale of 24,345 (2009 - nil) Euro Class B09 redeemable preference shares	323,441	-
Proceeds from sale of nil (2009 - 608) NOK Class B redeemable preference shares	-	159,710
Payment on redemption of 13,607 (2009 - 43,853) US Dollar Class A redeemable preference shares	(293,948)	(1,227,678)
Payment on redemption of 109,610 (2009 - 1,011,671) US Dollar Class B redeemable preference shares	(5,774,975)	(6,034,227)
Payment on redemption of 54,579 (2009 - 20,360) Euro Class B redeemable preference shares	(3,312,948)	(1,470,052)
Payment on redemption of 24,345 (2009 - nil) Euro Class B09 redeemable preference shares	(361,861)	-
Payment on redemption of 1,832 (2009 - 4,475) NOK Class B redeemable preference shares	<u>(286,723)</u>	<u>(1,007,008)</u>
Net decrease in net assets from capital share transactions	<u>(9,446,656)</u>	<u>(3,813,009)</u>
Net decrease in net assets attributable to redeemable preference shares	<u>(9,208,105)</u>	<u>(8,942,469)</u>
Net assets attributable to redeemable preference shares at the beginning of the year	<u>11,343,880</u>	<u>20,286,349</u>
Net assets attributable to redeemable preference shares at the end of the year	<u>\$ 2,135,775</u>	<u>\$ 11,343,880</u>

See accompanying notes to financial statements

FMG GLOBAL HEDGE FUND LTD.

Statement of Cash Flows

Year Ended March 31, 2010

(Expressed in United States Dollars)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net increase (decrease) in net assets from operations	\$ 238,551	\$ (5,129,460)
Adjustments to reconcile net increase (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	8,555,450	7,749,971
Receivable for investments sold	875,630	(121,432)
Payable for investments purchased	-	(1,996,061)
Prepaid expenses	(1,512)	3,667
Rebate receivables	-	5,619
Management and incentive fees payable	(27,256)	(28,205)
Administration fees payable	-	3,000
Accounts payable and accrued expenses	2,386	847
Net cash provided by operating activities	<u>9,643,249</u>	<u>487,946</u>
Cash flows from financing activities		
Proceeds from issue of redeemable preference shares	583,799	4,225,956
Payments on redemptions of redeemable preference shares	<u>(8,338,223)</u>	<u>(8,278,693)</u>
Net cash used in financing activities	<u>(7,754,424)</u>	<u>(4,052,737)</u>
Net increase (decrease) in cash and cash equivalents	1,888,825	(3,564,791)
Cash and cash equivalents at beginning of year	<u>3,253,700</u>	<u>6,818,491</u>
Cash and cash equivalents at end of year	<u>\$ 5,142,525</u>	<u>\$ 3,253,700</u>

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

1. **Operations**

F.M.G. Global Fund Limited was incorporated in Bermuda on June 28, 1991 as an open-ended investment fund, empowered by its by-laws to issue, redeem and reissue its own shares at prices based on their net asset value. On October 23, 2000, the F.M.G. Global Fund Limited changed its name to FMG Global Fund Ltd., and on January 17, 2002, FMG Global Fund Ltd. changed its name to FMG Global Hedge Fund Ltd. (the "Fund").

The Fund invests in other open or closed-ended investment companies, limited partnerships and managed accounts that are managed by fund managers throughout the world with the objective of earning a return in excess of that earned on the Morgan Stanley Capital International World Index.

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. The adoption of Section 3855 does not impact the manner in which the investments in other investment companies and limited partnerships are valued since bid prices are not available. 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.

(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. The Fund also purchases such forward exchange contracts in amounts approximating the value of any assets denominated in a currency other than the base currency of the Fund to manage the Fund's exposure to changes in the exchange rates between the currency of such assets and the base currency of the Fund. Such contracts are recorded at their 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 forward foreign exchange 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 contract relates (Notes 2(c) and 10(e)).

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

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

(c) *Allocation of profits and losses*

The profit or loss of the Fund for each month, excluding realized and unrealized gains or losses on forward foreign exchange contracts (Notes 2(b) and 10(e)) and before management and incentive fees, is allocated at the end of each month between the various 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. Management and incentive fees are calculated separately for each class of redeemable preference shares (Note 3). Realized and unrealized gains or losses on forward foreign exchange contracts entered into for the purpose of hedging currency exposure on non US Dollar denominated Share class are allocated to the appropriate class of redeemable preference shares.

(d) *Foreign currency transactions*

Foreign currency balances that are monetary items have been translated into US dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions are translated at the rate in effect at the date of the transaction. Any realized or unrealized 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) *Rebate income*

The Fund receives partial rebates with respect to the management and incentive fees charged on those investments in other investment companies and limited partnerships that are also managed by the Manager (Note 3). If the amount and timing of such receipts can be estimated, they are accrued; otherwise, rebate income is recorded on a cash basis.

(g) *Cash and cash equivalents*

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

(h) *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.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

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

(i) *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, the management fee was \$139,089 (2009 - \$274,271), of which \$20,975 (2009 - \$48,231) was payable at March 31, 2010.

Incentive fees

The Fund also pays the Manager an incentive fee of 10% of 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 for the fiscal year, before the incentive fee but after the 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 year 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 and losses on investments. If net profit for a month is negative it will be carried forward (“carry forward losses”). No incentive fee will be payable until net profits in subsequent month(s) exceed carry forward losses adjusted for redemptions. However the net profit amount, upon which performance fees are calculated, is not reduced for prior period carry forward losses. Once earned, the incentive fee will be retained by the Manager regardless of the Fund’s future results.

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

The Fund is charged management and incentive fees by the Manager as described above on its net assets. However, some of the other investment companies and limited partnerships in which the Fund invests are also managed by the Manager. To ensure that the Fund is not double charged for such management and incentive fees, the Manager rebates to the Fund its proportionate share of such fees. Management and incentive fees rebated to the Fund during the year amounted to \$nil (2009 - \$10,244) of which \$nil (2009 - \$nil) is receivable at March 31, 2010.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

3. **Management, incentive and load fees** (continued)

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 - \$nil) 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**

Apex Fund Services Limited (the "Administrator") acts as 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 \$39,000 (2009 - \$52,000), of which \$12,000 (2009 - \$12,000) was payable at March 31, 2010.

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 24, 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 12,000,000 redeemable preference shares (the "Shares") of par value \$0.001. The by-laws permit the Directors to create multiple series or classes of Shares.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

6. **Share capital** (continued)

Prior to December 31, 2001, only Class A Shares were issued. Effective January 1, 2002, Class A Shares were closed to additional subscriptions and Class B Shares were created. Class B Shares have identical rights to the Class A Shares except that the Class A Shares have voting rights and Class B Shares do not. Effective February 1, 2009 Class B 09 Shares were offered for sale. Effective March 1, 2009, Class B Shares were closed to additional subscriptions, except in situations where approved by the Board of Directors and the Manager. Class B 09 Shares have identical rights to the Class B Shares.

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 day's 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.

At March 31, 2010, redemptions payable include \$1,613,053 and \$1,266,006 payable to FMG Combo Fund Ltd. and FMG (EU) Global Hedge Fund, respectively. FMG Combo Fund Ltd. and FMG (EU) Global Hedge Fund are managed by the same Manager as the Fund. At March 31, 2009, FMG Combo Fund Ltd. held 80.72% of the US Dollar Class B Shares and FMG (EU) Global Hedge Fund held 37.75% of the EUR Class B Shares.

7. **Fair value of financial instruments**

The methods used to determine the fair value of investments in other investment companies, limited partnerships and unrealized gains and losses on forward foreign exchange contracts are described in Note 2(a) and Note 2(b). The fair value of the Fund's other financial assets and financial liabilities approximate their carrying amount due to their short term nature.

CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

7. Fair value of financial instruments (continued)

The following is a summary of the inputs used as of March 31, 2010 in valuing the Fund's investments and derivatives carried at fair values:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in other investment companies	\$ —	\$ —	\$ 62,170	\$ 62,170
Total investments	\$ —	\$ —	\$ 62,170	\$ 62,170
Derivative assets		\$ 13,528		\$ 13,528
Derivative liabilities		\$ (15,248)		\$ (15,248)

During the year ended March 31, 2010, the reconciliation of the change in investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	<u>Investments in other investment companies</u>
Beginning balance	\$ 93,968
Sales	(13,233)
Realized gains/(losses)	1,863
Change in unrealized appreciation/depreciation	<u>(20,428)</u>
Ending balance	\$ 62,170
Total change in unrealized appreciation/depreciation during the year for assets held at March 31, 2010	<u>\$ (20,071)</u>

For the investment in other investment companies held at year end the Fund has used the proceeds from subsequent disposal of the investment to value the investment at March 31, 2010 (refer to Note 11). The Fund has not identified any other reasonable possible alternatives for valuing its Level 3 financial instruments.

8. Overdraft facility

During the year the Fund had an overdraft facility in the amount of \$2,000,000 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 \$2,000,000 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.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

9. 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.

10. 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 and limited partnerships are not traded in an organized public market. As a result, the Fund may not be able to quickly liquidate its investments in other investment companies and limited partnerships 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.

The schedule of investments summarizes the redemption frequencies of the Fund's investments in other investment companies and limited partnership at March 31, 2010.

At March 31, 2010, investment funds and partnerships held by the Fund had implemented the following redemption restrictions:

	Fair value at <u>March 31, 2010</u>	% of Net <u>Assets</u>
Underlying investment holdings which have been transferred into side pocket	\$ 62,170	2.91%

See Note 11 for a discussion of events that have occurred since March 31, 2010.

(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.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

10. Financial instruments and risk management (continued)

(c) Credit risk (continued)

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 with a major bank with a long term credit rating of Aa2 issued by Moody's. As the Fund invests in other investment companies and limited partnerships, the Fund is also exposed to the credit risk of each of those underlying investment companies. The maximum amount of credit expense is represented by the carrying amounts of the investments listed on the schedule of investments.

Bankruptcy or insolvency of the Custodian may cause the Fund's 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 financial position of the Custodian and should it decline significantly, the Manager will move cash holdings and custodial relationships to another institution.

(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 and limited partnerships 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 investments companies and limited partnerships 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.

At March 31, 2010, if the price of the investments increased by 5%, this would have increased the net assets attributable to holders of the Fund's Shares by \$3,109 (2009 - \$421,392); an equal change in the opposite direction would have decreased the net assets attributable to holders of the Fund's Shares by an equal but opposite amount.

(e) Currency risk

The Fund may invest in other investment companies and limited partnerships 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.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

10. Financial instruments and risk management (continued)*(e) Currency risk* (continued)

The following table sets out the Fund's total exposure to foreign currency risk split between monetary assets and liabilities, net assets attributable to non-USD denominated share classes, forward foreign exchange contracts and the resulting net exposure to foreign currencies.

	<u>Monetary Assets</u>	<u>Monetary Liabilities</u>	<u>Net assets attributable to non-USD denominated share classes</u>	<u>Forward FX Contracts</u>	<u>Net Exposure</u>
March 31, 2010					
GBP	\$ –	\$ (3)	\$ (27,374)	\$ 27,649	\$ 272
EUR	1,181,929	–	–	(1,201,996)	(20,067)
EUR	–	(1,266,006)	(232,094)	1,518,459	20,359
NOK	–	(78,548)	(290,794)	308,921	(60,421)
	<u>\$ 1,181,929</u>	<u>\$ (1,344,557)</u>	<u>\$ (550,262)</u>	<u>\$ 653,033</u>	<u>\$ (59,857)</u>
	<u>Monetary Assets</u>	<u>Monetary Liabilities</u>	<u>Net assets attributable to non-USD denominated share classes</u>	<u>Forward FX Contracts</u>	<u>Net Exposure</u>
March 31, 2009					
GBP	\$ –	\$ –	\$ (26,368)	\$ 26,324	\$ (44)
EUR	1,001,583	–	–	(929,814)	71,769
EUR	–	(350,013)	(3,165,482)	3,426,000	(89,495)
NOK	–	–	(504,364)	480,760	(23,604)
	<u>\$ 1,001,583</u>	<u>\$ (350,013)</u>	<u>\$ (3,696,214)</u>	<u>\$ 3,003,270</u>	<u>\$ (41,374)</u>

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.

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

10. Financial instruments and risk management (continued)

(e) Currency risk (continued)

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 \$1,003 (2009: \$(3,588)) 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 \$1,990 (2009: \$5,657) 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.

The Fund's investments through the other investment companies and limited partnerships may be denominated in currencies other than the Fund's reporting currency and indirectly expose the Fund to currency risk.

The Fund uses forward foreign exchange contracts to manage the risks associated with changes in the US Dollar/Euro, US Dollar/GBP and US Dollar/NOK exchange rates. Although these forward foreign exchange contracts are intended to manage currency risk, they may also expose the Fund to market, credit and liquidity risk.

At March 31, 2010, the Fund had the following open forward foreign exchange contracts:

	Currency to be <u>sold</u>		Currency to be <u>bought</u>	Contract due <u>date</u>		<u>Fair Value</u>
USD	308,921	NOK	1,834,215	April 7, 2010	\$	(224)
USD	27,649	GBP	18,381	April 7, 2010		241
USD	1,518,459	EUR	1,112,914	April 7, 2010		(15,024)
EUR	879,938	USD	1,201,996	April 7, 2010		13,287
Net unrealized loss on open forward foreign exchange contracts					\$	<u>(1,720)</u>

FMG GLOBAL HEDGE FUND LTD.

Notes to Financial Statements

March 31, 2010

10. Financial instruments and risk management (continued)*(e) Currency risk* (continued)

At March 31, 2009, the Fund had the following open forward foreign exchange contracts:

	Currency to be <u>sold</u>	Currency to be <u>bought</u>	Contract due <u>date</u>	<u>Fair Value</u>	
USD	480,760	NOK	3,495,366	April 2, 2009	\$ 39,350
USD	26,324	GBP	18,786	April 2, 2009	627
USD	3,426,000	EUR	2,731,622	April 2, 2009	203,233
EUR	741,360	USD	929,814	April 2, 2009	<u>(55,157)</u>
Net unrealized gain on open forward foreign exchange contracts					\$ <u>188,053</u>

11. Subsequent events

Effective April 14, 2010 the Fund sold its investment in Ecofin Global Utilities Hedge Fund Ltd. USD Si Shares for proceeds of \$62,170. In April 2010 the assets of FMG Global Hedge Fund Ltd. were transferred to FMG Global Hedge (EU) Fund Ltd., a sub-fund of FMG Funds SICAV Ltd which is a regulated Malta entity managed by FMG Malta Ltd. In exchange for these assets FMG Global Hedge Fund Ltd. received shares in FMG Global Hedge (EU) Fund Ltd. for the same value. For the period from March 31, 2010 to August 31, 2010 there have been net redemptions in the US Dollar Class A Shares of \$50,248, the US Dollar Class B Shares of \$652,560, the Euro Class B Shares of \$80,041, and the NOK Class B Shares of \$37,838. The Board of Directors of the Fund is planning to wind up and liquidate the Fund effective November 1, 2010.
