

The Directors of Absolute Focus Fund Limited (the “Company”) whose names appear on pages 14 to 15 of this document under “Directors” (the “Directors”) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information. The Directors accept responsibility accordingly.

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# **ABSOLUTE FOCUS FUND LIMITED**

**(an open-ended multi-class exempted company incorporated  
with limited liability in the Cayman Islands)**

## **PROSPECTUS**

### **OFFERING**

**of**

**Class A, Class B and Class C Shares**

**INVESTMENT MANAGER**

**Absolute Fund Management Limited**

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Class A, Class B and Class C Shares of the Company, which are denominated in US dollars, Sterling and Euros, respectively, issued and available for issue were admitted to the Official List of the Irish Stock Exchange on 1 September 2005. The Directors do not anticipate that an active secondary market will develop in the Shares. No application has been made for the listing of the Class A, Class B or Class C Shares of the Company on any other stock exchange.

Dated: 16 June 2008

## IMPORTANT INFORMATION

The Company is an open-ended multi-class exempted company incorporated with limited liability in the Cayman Islands.

No person has been authorised to issue any advertisement or to give any information, or to make any representations in connection with the offering, placing, subscription, sale or redemption of the Shares of the Company other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company. Neither the delivery of this Prospectus nor the offer, placement, allotment or issue of any of the Shares of the Company shall under any circumstances create any implication or constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date hereof.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of Shares of the Company in certain jurisdictions may be restricted and, accordingly, persons into whose possession this Prospectus come are required to inform themselves about, and to observe, such restrictions.

The Company is a collective investment scheme for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA") and is not a recognised scheme for the purposes of section 238 of the FSMA. The communication of this document or any invitation or inducement in the United Kingdom to participate in the Company or its Shares is accordingly restricted by law.

Whilst this document is issued outside the United Kingdom by the Company and the Directors of the Company are responsible for its contents, wherever issued, this document (1) is being communicated in the United Kingdom by Absolute Fund Management Limited (the "Investment Manager") which is authorised and regulated by the Financial Services Authority ("FSA"), only to persons of a kind to whom this document may, for the time being, be communicated by the Investment Manager by virtue of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2005 (as amended), rule 4.12.1 of the New Conduct of Business Sourcebook of the FSA or any other exemption to section 238 of the FSMA ("permitted recipients") and (2) has been approved by the Investment Manager solely for the purpose of communication in the United Kingdom to such permitted recipients. Any recipient of this document who is an authorised person may (if and to the extent it is permitted to do so by the rules of the FSA applicable to it) communicate this document or any invitation or inducement to participate in the Company or its Shares in the United Kingdom to other authorised persons or permitted recipients but not otherwise. Any recipient of this document who is not an authorised person may not communicate this document or any invitation or inducement to participate in the Company or its Shares to any other person in the United Kingdom.

A United Kingdom investor who enters into an investment agreement to acquire Shares of the Company will not have the right (otherwise provided under the United Kingdom Financial Services Authority Handbook of Rules and Guidance) to cancel the agreement constituted by the acceptance by or on behalf of the Company of an application for Shares.

In addition, most if not all of the protections provided by the United Kingdom regulatory structure will not apply to investments in the Company. The rights of Shareholders in the Company will not be protected by the Financial Services Compensation Scheme in the United Kingdom.

No offering of Shares of the Company may be made to the public in the Cayman Islands.

The Shares of the Company have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or qualified under any applicable state statutes, and the Shares may not be offered, sold or transferred in the United States of America (including its territories and possessions) or to, or for the benefit of, directly or indirectly, any US Person (as that term is defined herein), except pursuant to registration or an exemption. The definition of "US Person" is set out in "GENERAL INFORMATION – 3. Definitions of "US Person", "US Taxpayer" and "Benefit Plan Investor"" on pages 42 to 44 of this Prospectus. The Company is not, and will not be, registered under the United States Investment Company Act of 1940, as amended (the "1940 Act"), and investors will not be entitled to the benefit of registration under the 1940 Act. The Company may in the future, at the Directors' sole discretion, make a private placement of Shares to a limited number or category of US Persons. The Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission or other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful.

Under the Memorandum and Articles of Association of the Company, the Directors have the power to redeem or require the transfer of Shares held by or for the account of any person in breach of the laws or requirements of any country or government authority or by any person or persons in circumstances where the holding of such Shares may, in the opinion of the Directors, result in legal, pecuniary, tax, regulatory or material administrative disadvantage for the Company or its Shareholders or any class thereof or to maintain such minimum holding of Shares of any class as shall be prescribed from time to time by the Directors.

**Potential subscribers of Shares should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of their country of citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Shares.**

**There are significant risks associated with investment in the Company and in the Shares. Investment in the Company may not be suitable for all investors. There can be no assurance that the Company will achieve its investment objective. Each prospective investor should carefully review this Prospectus and carefully consider the risks associated with an investment in Shares before deciding to invest. The attention of prospective investors is drawn to "RISK FACTORS" and "CONFLICTS OF INTEREST" on pages 26 to 32 and page 32, respectively, of this Prospectus.**

**US Federal Tax and Benefit Plan Considerations: Investors' Reliance on Federal Tax Advice in this Prospectus**

The discussion contained in this Prospectus as to federal tax considerations is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties. Such discussion is written to support the promotion or marketing of the transactions or matters addressed in this Prospectus. Each taxpayer should seek federal tax advice based on the taxpayer's particular circumstances from an independent tax advisor.

No Shares in the Company may be acquired by any person that is, or is acting on behalf of or with any assets of, any "Benefit Plan Investor" as defined in this Prospectus. Any purported transfer of any Share in the Company to any such Benefit Plan Investor shall be null and void, and of no effect, and the last preceding eligible owner shall continue to be treated as the owner of the interest for all purposes. The Company shall not, and shall not have any obligation to, maintain records regarding Benefit Plan Investor participation in the Company.

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## DEFINITIONS

The following definitions apply throughout this Prospectus unless the context otherwise requires.

<b>“Administration Agreement”</b>	as defined under “GENERAL INFORMATION – 2. Material Contracts” at pages 41 to 42 below;
<b>“Administrator, Secretary and Registrar”</b>	Northern Trust International Fund Administration Services (Ireland) Limited;
<b>“Articles”</b>	the Articles of Association of the Company;
<b>“Benefit Plan Investor”</b>	as defined under “GENERAL INFORMATION – 3. Definitions of “US Person”, “US Taxpayer” and “Benefit Plan Investor”” at pages 42 to 44 below;
<b>“Business Day”</b>	any day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in London, New York and Dublin and/or such other place and/or places as the Directors may from time to time determine;
<b>“Class”</b>	a class of Shares;
<b>“Company”</b>	Absolute Focus Fund Limited;
<b>“Custodian”</b>	Northern Trust Fiduciary Services (Ireland) Limited;
<b>“Custodian Agreement”</b>	as defined under “GENERAL INFORMATION – 2. Material Contracts” at pages 41 to 42 below;
<b>“Dealing Day”</b>	a day prescribed by the Directors on which Shares of each class may be subscribed and/or redeemed being, in the case of the Class A, Class B and Class C Shares of the Company, the first Business Day in each calendar month and/or such other day or days as the Directors may from time to time prescribe;
<b>“Directors”</b>	the Board of Directors of the Company including a duly authorised committee thereof;
<b>“EU”</b>	the European Union;
<b>“€”, “Euro” and “Euros”</b>	the Euro, the single European currency;
<b>“FSA”</b>	the Financial Services Authority of the United Kingdom;
<b>“Investment Management Agreement”</b>	as defined under “GENERAL INFORMATION – 2. Material Contracts” at pages 41 to 42 below;
<b>“Investment Manager”</b>	Absolute Fund Management Limited;
<b>“Irish Stock Exchange”</b>	the Irish Stock Exchange Limited;
<b>“Issue Date”</b>	each subscription Dealing Day in respect of the Class A, Class B and Class C Shares of the Company or such other day or days as the Directors may from time to time determine;
<b>“Law”</b>	the Companies Law of the Cayman Islands;

<b>“Net Asset Value” and “Net Asset Value per Share”</b>	the net asset value of the Company and the net asset value per Share of a class of the Company, respectively, calculated in accordance with this Prospectus and the Articles;
<b>“OECD”</b>	the Organisation for Economic Co-operation and Development. Thirty countries are at the date of this Prospectus members of the OECD: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, South Korea, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Poland, Portugal, The Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America;
<b>“Performance Fee”</b>	the performance fee payable to the Investment Manager, calculated as described under “FEES AND EXPENSES - Investment Manager’s Fees and Expenses” at pages 17 to 18 below;
<b>“Restricted Person”</b>	as defined under “SUBSCRIBING FOR SHARES – Eligible Investors” at page 20 below;
<b>“Shares”</b>	redeemable voting preference shares of US\$0.001 each of the Company which may be designated and issued by the Directors in one or more classes or series;
<b>“Shareholders”</b>	holders of Shares;
<b>“Sterling”</b>	the pound Sterling, the lawful currency of the United Kingdom;
<b>“United States”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>“US\$”, “\$” and “US dollars”</b>	the United States Dollar, the lawful currency of the United States of America;
<b>“US Person”</b>	as defined under “GENERAL INFORMATION – 3. Definitions of “US Person”, “US Taxpayer” and “Benefit Plan Investor”” at pages 42 to 44 below;
<b>“US Taxpayer”</b>	as defined under “GENERAL INFORMATION – 3. Definitions of “US Person”, “US Taxpayer” and “Benefit Plan Investor”” at pages 42 to 44 below; and
<b>“Valuation Point”</b>	the day and time as at which the assets and liabilities of the Company will be valued for the purposes of calculating the Net Asset Value of the Company and the Net Asset Value per Share of each class, currently midnight (Dublin time) on the last calendar day of each month.

All references to the provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time.

## KEY INFORMATION

The following is a summary of certain key information concerning the Company and the offering of the Class A (US dollar), Class B (Sterling) and Class C (Euro) Shares. It is derived from, and should be read in conjunction with, the full text of this Prospectus.

### The Company

Absolute Focus Fund Limited is an open-ended multi-class exempted company incorporated with limited liability in the Cayman Islands. The Company is a “mutual fund” for the purposes of the Mutual Funds Law of the Cayman Islands and is registered under that law.

### Shares Classes

As the Company is an open-ended multi-class investment company, the Directors are empowered to issue and redeem Shares divided into different classes.

The rights of Shareholders are represented by separate classes of Shares. Whilst the Company has a single currency account (the “Base Currency”), one or more classes of Shares may be created representing different currencies and/or representing different charging structures or other rights in respect of the Company.

The base currency of account of the Company is US dollars. The following classes of Shares are being offered in respect of the Company:-

<i>Classes of Share</i>	<i>Currency of Denomination</i>
Class A	US dollar
Class B	Sterling
Class C	Euro

### Listing

Class A (US dollar), Class B (Sterling) and Class C (Euro) Shares of the Company, issued and available for issue, were admitted to the Official List of the Irish Stock Exchange on 1 September 2005.

### Investment Objectives And Policy

The primary investment objective of the Company is to seek consistent returns on an absolute basis, irrespective of trends in equity and bond markets. The Company will also seek to limit losses during difficult market conditions.

The Company seeks to achieve its investment objectives through investment in a diversified portfolio of hedge funds managed by selected investment managers.

**There can be no assurance that the Company will achieve its investment objective.**

### Dividends

The Directors do not anticipate that any dividends or other distributions will be paid to Shareholders. It is intended that such income will be reinvested by the Company for the benefit of the Shareholders. Nonetheless, the Directors may from time to time declare dividends in respect of any class or classes of Shares. In the event that a dividend is declared, it will be paid in accordance with the policy of the Irish Stock Exchange, and subject to applicable law.

### Investment Manager

The Company has appointed Absolute Fund Management Limited as the Company’s investment manager to undertake the day-to-day investment management of the assets of the Company.

### **Custodian**

The Company has appointed Northern Trust Fiduciary Services (Ireland) Limited, an indirect wholly-owned subsidiary of Northern Trust Corporation, to act as custodian to the Company and its assets.

### **Administrator**

The Company has appointed Northern Trust International Fund Administration Services (Ireland) Limited as its Administrator, Secretary and Registrar to perform operational, administrative and registrar duties in relation to the Company and its Shares.

### **Share Valuation**

The Company will be valued for the purpose of calculating subscription and redemption prices of Class A (US dollar), Class B (Sterling) and Class C (Euro) Shares, respectively, as at midnight (Dublin time) on the last calendar day of each month (referred to as the Valuation Point).

The first Business Day of each calendar month is currently a subscription and redemption Dealing Day in respect of the Class A (US dollar), Class B (Sterling) and Class C (Euro) Shares of the Company.

### **Subscriptions**

Investors may apply to subscribe for Class A (US dollar), Class B (Sterling) and Class C (Euro) Shares of the Company on each monthly subscription Dealing Day at prices calculated with reference to the Net Asset Value per Share of the relevant Class, prior to accrual for any Performance Fee for the relevant Performance Period (plus a discretionary sales charge of up to 3 per cent. of the Net Asset Value per Class A, Class B and Class C Share). Original application forms, duly completed, in respect of the subscription must be received no later than 5.00 p.m. (Dublin time) on the fifth Business Day prior to the relevant Dealing Day, or such other day as the Directors shall from time to time determine generally or in respect of any specific application. Cleared funds in respect of the subscription must be received no later than 5.00 p.m. (Dublin time) on the third Business Day prior to the relevant Dealing Day or such other day as the Directors may from time to time determine generally or in respect of any specific application.

### **Minimum Subscriptions**

The minimum initial investment in Class A, Class B and Class C Shares of the Company is US\$100,000, or the appropriate Sterling or Euro equivalent, net of subscription and/or other charges. The minimum additional investment in Class A, Class B and Class C Shares of the Company is US\$20,000 (or the appropriate Sterling or Euro equivalent) net of subscription and/or other charges.

### **Eligible Investors**

Shares may be purchased only by investors who are not “US Persons” or any other “Restricted Persons” as defined under “SUBSCRIBING FOR SHARES – Eligible Investors” on page 20 of this Prospectus.

### **Redemptions**

Shareholders may request the redemption of Class A, Class B and Class C Shares of the Company on each redemption Dealing Day at prices calculated with reference to the Net Asset Value per Class A, Class B and Class C Share as at the Valuation Point in respect of such Dealing Day, adjusted to deduct an amount equal to Performance Fee accrued and payable, and expressed in the currency of denomination of the appropriate class.

The minimum redemption amount in respect of Class A, Class B and Class C Shares of the Company is US\$10,000 (or the appropriate Sterling or Euro equivalent), net of charges and subject to the minimum residual holding in each of Class A, Class B and Class C Shares of the Company having a value of US\$100,000, or the appropriate Sterling or Euro equivalent. Redeeming Class A, Class B and Class C Shareholders who have acquired the Shares to be redeemed through a subscription *in specie* will be charged a redemption fee of up to one per cent. of the Net Asset Value of any such Shares redeemed within six months following subscription therefor. The Directors may, however, waive any of these requirements at any time at their discretion.

Unless otherwise specified, Shares first purchased will be considered first redeemed.

Requests for redemption must be received by the Administrator no later than 5.00 p.m. (Dublin time) on the Business Day falling no less than thirty five (35) days prior to the relevant Dealing Day, or such lesser number of days as may be determined by the Directors generally, or in respect of any specific request for redemption. Settlement of the amount payable upon redemption will normally take place within ten Business Days of the Net Asset Value of the Shares being finally determined to the satisfaction of the Administrator, in accordance with the policies established by the Directors.

### **Subscription Charges**

A sales charge of up to three per cent. of the Net Asset Value per Share is payable on subscription of Class A, Class B and Class C Shares of the Company. This charge, which is payable to the Investment Manager, may be waived at the discretion of the Investment Manager. The Investment Manager is entitled to pay the whole or part of such charge to intermediaries and introducing agents.

### **Investment Management Charges**

The Investment Manager is entitled to receive a monthly Performance Fee in respect of the Company as described under “FEES AND EXPENSES – Investment Manager’s Fees and Expenses” on pages 17 to 18 of this Prospectus.

### **Other Charges and Expenses**

These are detailed under “FEES AND EXPENSES” on pages 17 to 19 of this Prospectus.

### **Annual and Interim Reports**

The accounting reference date of the Company is 30 September in each year. Shareholders will receive audited financial statements of the Company within six months of the end of each accounting period. Unaudited interim accounts of the Company will be prepared and sent to Shareholders within four months of the period to which they relate. Interim accounts of the Company will be prepared in respect of the period to 31 March in each year.

### **Company and Shareholder Taxation**

The attention of prospective Shareholders is drawn to “COMPANY AND SHAREHOLDER TAXATION CONSIDERATIONS” on pages 32 to 35 of this Prospectus.

### **Risk Factors**

There are significant risks associated with investment in the Company and in the Shares. Investment in the Company may not be suitable for all investors. There can be no assurance that the Company will achieve its investment objective. Each prospective investor should carefully review this Prospectus and carefully consider the risks associated with an investment in the Shares before deciding to invest. The attention of prospective investors is drawn to “RISK FACTORS” and “CONFLICTS OF INTEREST” on pages 26 to 32 and page 32, respectively, of this Prospectus.

## DIRECTORY

### Directors

Edward Charlton  
Randall Dux  
Scott Elphinstone  
William Messer  
Jeremy Svejder  
Andrew Wheeler

### Company's Registered Office

c/o Five Continents Financial Limited  
4th Floor, Anderson Square  
64 Sheddon Road  
P.O. Box 30715 SMB  
George Town, Grand Cayman  
Cayman Islands

### Investment Manager

Absolute Fund Management Limited  
Marquis House  
67-68 Jermyn Street  
London  
SW1Y 6NY  
United Kingdom

### Administrator

Northern Trust International Fund Administration  
Services (Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### Custodian

Northern Trust Fiduciary Services (Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### Auditors

PricewaterhouseCoopers  
Chartered Accountants  
P.O. Box 258GT  
Strathvale House  
George Town, Grand Cayman  
Cayman Islands

### Sponsoring Broker

NCB Stockbrokers Limited  
3 George's Dock  
International Financial Services Centre  
Dublin 1  
Ireland

### Legal Advisers

*In England and Wales and the United States*  
Dechert LLP  
160 Queen Victoria Street  
London EC4V 4QQ  
United Kingdom

### In the Cayman Islands

Appleby  
Clifton House  
75 Fort Street  
PO Box 190  
Grand Cayman KY1-1104  
Cayman Islands

## THE COMPANY

### Establishment and Incorporation

The Company was incorporated with limited liability on 19 August 2005 under the Companies Law of the Cayman Islands as an exempted company. The life of the Company is unlimited.

The Company, which has been established as an open-ended multi-class investment company, is empowered to issue and redeem Shares divided into different classes. The activities of the Company are governed by its Memorandum and Articles of Association, as amended from time to time, and this Prospectus and the details concerning the Company and its share capital contained herein.

The Company is a mutual fund for the purposes of the Mutual Funds Law of the Cayman Islands and is registered under the Law.

### Share Capital

The authorised share capital of the Company at the date of this Prospectus is US\$50,100 divided into 50,000,000 Shares of US\$0.001 nominal value each and 100 “Founder Shares” of US\$1.00 each. The Founder Shares were taken up by the subscriber to the Memorandum of Association, in order that the Company be incorporated, and are held by the Investment Manager. They carry no rights to participate in the profits or assets of the Company, other than a return of their nominal value, and no voting rights whilst any Shares are in issue. The Shares are redeemable voting preference shares and may be issued in one or more classes or series as designated by the Directors from time to time.

### Share Classes

Three classes of Shares are currently being offered in respect of the Company:-

Class A Shares which are denominated in US dollars. The Net Asset Value per Class A Share will be calculated in US dollars and subscriptions and redemptions will be effected in that currency;

Class B Shares which are denominated in Sterling. The Net Asset Value per Class B Share will be calculated in Sterling and subscriptions and redemptions will be effected in that currency; and

Class C Shares which are denominated in Euros. The Net Asset Value per Class C Share will be calculated in Euros and subscriptions and redemptions will be effected in that currency.

Separate records will be maintained in the books of the Company in respect of the assets, liabilities and expenses attributable to the Class A, Class B and Class C Shares. However, a single segregated account will be maintained in respect of the assets of the Company which will be managed as a single portfolio in accordance with the investment objectives and policy of the Company outlined under “Investment Objectives and Policy” at page 13 below.

Investors should be aware that although the base currency of account of the Company is US dollars, valuations, subscriptions and redemptions in relation to Class B Shares will be effected in Sterling and in relation to Class C Shares will be effected in Euros. Accordingly, although the different Share classes of the Company will participate in the same underlying securities and investment policy, the value of investors’ holdings in Class B and Class C Shares will be subject to currency risk in the event of adverse movement in the exchange rates of Sterling and the Euro (as appropriate), respective to the US dollar. The Company may seek to protect investors in Class B and Class C Shares from such currency fluctuations by engaging in foreign currency hedging transactions for each class. Gains and losses, costs, income and expenditure attributable to such hedging transactions will be allocated to the relevant Share class. There can be no assurance that such currency hedging will be successful and performance among different Share classes may therefore vary due to their different currency exposure.

### The Offering

Investors may apply to subscribe for Class A, Class B and Class C Shares of the Company on each monthly subscription Dealing Day at subscription prices calculated with reference to the Net Asset Value per Share of

each class, expressed in the currency of the relevant class, plus a discretionary sales charge of up to 3 per cent. of the Net Asset Value per Share. Investors wishing to subscribe for Shares are referred to “SUBSCRIBING FOR SHARES” on pages 19 to 21 of this Prospectus.

Class A, Class B and Class C Shares of the Company may be redeemed by application on each monthly redemption Dealing Day at prices calculated with reference to the Net Asset Value per Share of the respective class. Redemption proceeds will be paid after deduction for any performance fee accrued and payable. Shareholders wishing to redeem Shares are referred to “REDEEMING SHARES” on pages 21 to 23 of this Prospectus.

## **Investment Objectives and Policy**

### *Investment Objectives*

The primary investment objective of the Company is to seek consistent returns on an absolute basis, irrespective of trends in equity and bond markets. The Company will also seek to limit losses during difficult market conditions.

**There is no guarantee that these objectives will be achieved.**

### *Investment Policy*

The Company seeks to achieve its investment objectives through investment in a diversified portfolio of hedge funds managed by selected investment managers. The Company intends to invest in no less than 15 and probably no more than 25 underlying hedge funds. It is intended that these will principally comprise long/short equity funds and long only equity funds (investing in the United States, Europe and the Far East) and funds engaging in a range of arbitrage strategies. In addition, the Company may invest in funds which are invested in “distressed” securities or pursue other “event-driven” strategies and may also invest in private equity funds. Allocations to macro, trading and other CTA-type funds are, however, intended to be small. A particular feature of the Company is intended to be a significant allocation to long/short equity funds and credit funds which have a short bias and this is consistent with the investment objective of limiting losses during difficult market conditions.

The hedge funds in which the Company may invest include bodies corporate, unit trusts, limited partnerships and other forms of collective investment vehicle, considered to be appropriate for investment by the Directors. Such investments may also include listed and unlisted securities. The interests in these funds which may be acquired and held include units, shares, participations, and interests in limited and other partnerships and may include other securities such as warrants and debt instruments and other rights, interests and participations.

The investment objectives and policy of the Company will, other than in exceptional circumstances be adhered to for a period of three years following the commencement of business of the Company. Any material change within that period will only be made with the approval of a majority of votes cast at a general meeting of Shareholders of the Company.

## **INVESTMENT AND BORROWING POWERS**

### **Investment Restrictions**

The Company will observe the following restrictions in respect of the Company for so long as Shares of the Company are listed on the Irish Stock Exchange:-

- (a) legal or management control of underlying investments will not be taken;
- (b) up to 10 per cent. of the value of the gross assets of the Company may be invested in a single investment fund;
- (c) no more than 10 per cent., in aggregate, of the value of the gross assets of the Company may be invested in other investment funds whose principal investment objectives include investing in other funds;

- (d) subject as provided in (b) and (c) above, not more than 20 per cent. of the value of the gross assets of the Company may be lent to or invested in the securities of any one issuer or may be exposed to the creditworthiness or solvency of any one counterparty; and
- (e) the Company will adhere to the general principle of diversification in respect of its use of derivatives, other than for the purposes of efficient portfolio management.

The restrictions outlined in (d) above do not apply to investments in securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD member state, or by any supranational authority of which one or more EU or OECD states are members.

The investment restrictions outlined in (b) to (e) above apply to any investment at the time when such investment is made. The Investment Manager will be responsible for monitoring the underlying investments to ensure that the investment restrictions applicable to the Company are complied with and will report to the Directors accordingly. Where any restriction is breached, the Investment Manager will ensure that corrective action is taken immediately except where the breach is due to appreciations or depreciations in value, changes in exchange rates, or by reason of the receipt of rights, bonuses or benefits in the nature of capital or any other action affecting holders of that investment. The Investment Manager will have regard to the investment restrictions when considering changes to the portfolio of the Company.

### **Cash and Currency Management**

It is the policy of the Directors that the Company will be predominantly fully invested although the Investment Manager is permitted the flexibility to hold a percentage of the Company's assets in cash, near-cash and/or money market investments, debt securities and/or currency funds, where this is required for the efficient management of the Company or is considered to be in the best interests of investors in the Shares; for example, during periods of market uncertainty where such investment is deemed to be important for defensive purposes.

Pending full investment of the assets of the Company after a substantial new subscription, a greater proportion of the Company's assets than may be anticipated by its investment objective and/or policy may for a time be held in cash, near-cash, money market investments, debt securities and/or currency funds.

The Company is authorised to utilise forward foreign exchange contracts, where this is considered appropriate in order to achieve the investment objectives and policy of the Company including, but not limited to, the reduction of risk and/or cost for the Company. This will include the use of such instruments to hedge against the exposure of (i) the Company to adverse foreign exchange movements between the base currency of account of the Company (US dollars) and the currencies of denomination of the assets in which the Company is invested, and (ii) the Class B and Class C Shares of the Company to adverse foreign exchange movements between the base currency of account of the Company (US dollars) and either Sterling or the Euro, depending on the currency of denomination of the relevant class (see "Share Classes" above at page 12). There can be no assurance, however, that currency hedging on behalf of the Company and/or the Class B and/or the Class C Shares will be undertaken and, if undertaken, will be successful.

### **Leverage and Borrowing**

The Company may borrow as part of its investment policy. The Directors, however, do not currently intend to engage in leveraging or borrowing other than on a temporary basis in order to fund redemption requests in respect of Shares or for other operational requirements where this is considered by the Directors to be in the best interests of the Company. Such borrowing activity will not normally exceed 10 per cent. of the Net Asset Value of the Company. The Company's organisational documents limit the maximum permitted value of borrowings with respect to the Company to 50 per cent. of its gross asset value.

## **FURTHER SHARE CLASSES**

The Directors may in their discretion from time to time determine to issue further classes or series of Shares with different rights in respect of the Company which the Directors may from time to time determine to establish or classes or series of Shares which are limited to specified categories of investor. This may include, without limitation, Shares of a class or series denominated in a currency other than the base currency of account of the Company to which they relate or in respect of which different sales, management or other

charges apply (see “CONSTITUTION OF THE COMPANY – 2. Articles of Association – Redeemable Shares” on pages 36 to 37 below).

## DIVIDEND POLICY

Although there are no restrictions on distributions, the Directors do not anticipate that any dividends or other distributions will be paid to holders of the Shares out of the Company’s earnings and profits. It is intended that such income will be reinvested by the Company for the benefit of the Shareholders. Nonetheless, the Directors may from time to time declare dividends in respect of any class or classes of Shares. In the event that a dividend is declared, it will be paid in accordance with the policy of the Irish Stock Exchange, and subject to applicable law.

## DIRECTORS

The Directors have overall responsibility for the management and administration of the Company and for determining its investment objectives, policy and restrictions.

The Directors are currently as follows:–

**Edward Charlton** (English national and resident) is a director of The Absolute Fund Limited. He has been a Director of HSBC Private Bank since February 2005 and previously was the Chief Executive Officer of DEXIA Banque Internationale à Luxembourg in London from 1988 to 2002. Prior to that time he was an Executive Director of Banque Paribas (London) between 1981 and 1988 where he was responsible for Private Banking, Export & Trade Finance, Project Finance and International Lending and Syndication. From 1977 to 1981 Mr. Charlton was a Manager in the International Banking and Issues Division of Hambros Bank. Mr. Charlton is a Solicitor of the Supreme Court and qualified with the City law firm, Frere Cholmeley & Co., where he worked between 1968 and 1973. He was educated at Eton, the University of Neuchâtel in Switzerland and in the United States.

**Randall Dux** (Canadian national and Barbadian resident) is a director of The Absolute Fund Limited. Since October of 2001 he has been the Chief Investment Officer of Five Continents Bank Corporation, a Barbados subsidiary of Tomintoul Investments Limited, an investment management company based in Toronto, Canada. Mr. Dux is a Director of Five Continents Bank Corporation which owns 50 per cent. of Absolute Fund Management Limited. Since January 1998, Mr. Dux was an associate portfolio manager for Global Strategy Financial Inc. in Vancouver, Canada, where he assisted with the day-to-day portfolio management of approximately C\$3 billion in equity and balanced investment funds. Prior to that time from February 1991, Mr. Dux was an assistant portfolio manager with the Ontario Municipal Employees Retirement System where he assisted with the day-to-day portfolio management of a C\$375 million small capitalisation investment fund and a C\$6.3 billion large capitalisation investment fund. Mr. Dux received a Bachelor of Commerce from University of Alberta, and is a Chartered Financial Analyst.

**Scott Elphinstone** (Canadian national and Cayman resident) is a director of The Absolute Fund Limited. He is also the Managing Director and Chief Investment Officer of Five Continents Financial Limited (a subsidiary of Five Continents Bank Corporation) in the Cayman Islands, a position which he has held for the last ten years and is responsible for the provision of discretionary asset management for institutional and private clients globally. Prior to joining Five Continents Financial and the N.M. Rothschild Group in 1993, Scott worked for seven years at Royal Trust holding positions in Toronto and Barbados. He was a Partner of its head office treasury group, responsible for global interest rate risk management and was a Director of Royal Trust Bank (Caribbean) Limited. Mr. Elphinstone received his undergraduate degree in Science at the University of Toronto, Canada and his MBA from York University in Toronto. He is a Member of the Ontario Institute of Chartered Accountants and the Cayman Islands Society of Financial Analysts.

**William Messer** (Canadian national and Cayman resident) is a director of The Absolute Fund Limited. He is also a Managing Director and founding partner of Five Continents Financial Limited (a subsidiary of Five Continents Bank Corporation), a Cayman Islands based investment advisory company associated with the N.M Rothschild Group of Companies, a position which he has held since 1993. His previous experience includes the position of Managing Director at Royal Trust in the Cayman Islands. He is a Member of the Law Society of Alberta, the Canadian and International Bar Associations and the Society of Trust and Estate Practitioners. Bill received his undergraduate degree in Political Science and Economics at the University of Saskatchewan and his law degree from the University of Wales (UK). He was an Associate at the

international law firm of MacLeod Dixon based in Calgary. Bill has over 15 years of international business development and financial services management experience.

**Jeremy Svejdar** (Irish national and resident), is a senior relationship manager of the Administrator, based in Dublin, which provides fund services to institutional clients. He started his career with J Rothschild International Assurance in 1994 and moved to Barings (Financial Service Group) in 1996 where he held a range of positions including Compliance Officer and Custody Manager. Following the acquisition of Barings (Financial Service Group) by the Administrator in 2004, Mr. Svejdar was appointed to the board of directors of both trustee Company boards. He held these directorships until his appointment to the boards of a number of client fund boards.

**Andrew Wheeler** (British national and resident) is the Chief Executive Officer of the Investment Manager, based in London, which provides investment advice to range of funds of hedge funds. He started his career with Robert Fleming & Co. in 1986 and moved to Bank von Ernst London Branch in 1989, where he was appointed as a private client investment manager. In 1995, he moved to Dexia BIL and was instrumental in establishing BILIAM Limited, a multi-manager investment firm, based in Jersey. He returned to the UK in 2001 to take up a post with Deutsche Bank Private Banking, before joining Unigestion in 2003 as an Executive Director of the Family Investment Office. He joined the Investment Manager in June 2007.

The Directors, who all serve in a non-executive capacity, meet regularly to review the investment and administrative affairs of the Company. The business address of the Directors for the purposes of the Company is the registered office of the Company.

No Director has: (i) any unspent convictions in relation to indictable offences; or (ii) been bankrupt or the subject of a voluntary arrangement, or has had a receiver appointed to any asset of such Director; or (iii) been a director of any company which, while he was a director with an executive function or within 12 months after he ceased to be a director with an executive function, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangements, or made any composition or arrangements with its creditors generally or with any class of its creditors; or (iv) been a partner of any partnership, which while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or (v) had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or (vi) been disqualified by a court from acting as a director or from acting in the management or conduct of the affairs of any company.

## **INVESTMENT MANAGEMENT**

### **Investment Management**

Absolute Fund Management Limited, which was incorporated in May 1998, has been appointed as the Investment Manager to the Company. The Investment Manager's sole business is the provision of investment management services. The Investment Manager is authorised and regulated in the United Kingdom by the FSA, is authorised to conduct investment business in the United Kingdom by virtue of such regulation and is subject to rules of the FSA for the protection of investors. As at 30 April 2007, the Investment Manager had funds under management in the region of US\$117.5 million.

### **Principals of the Investment Manager**

Andrew Wheeler. Biographical information for Mr. Wheeler and details of the shareholding him and his family in the Company appears above under "DIRECTORS".

Charles Hovenden (British national and resident) began his career as a private client portfolio manager and equity research analyst at Rothschild Asset Management Ltd., of which he later became an Assistant Director. From 1991 to 1995 he performed a similar role for Bank von Ernst & Cie, a Swiss private bank which at the time was jointly owned by Germany's Bayerische Vereinsbank and Austria's Creditanstalt-Bankverein. He joined the London branch of Dexia Banque Internationale à Luxembourg as a Director in 1995 and established BILIAM Ltd., a Jersey-based multi-manager investment management company. Charles Hovenden graduated from Oxford University with a 1st class honours degree in Chemistry in 1984 and holds a Diploma of the Association of Certified Chartered Accountants.

Under the terms of the Investment Management Agreement, the Investment Manager is responsible, subject to the overall supervision and control of the Directors, for the day to day investment management of the assets of the Company.

The fees and expenses payable to the Investment Manager are described under “FEES AND EXPENSES - Investment Manager’s Fees and Expenses” on pages 17 to 18 below. Details of the Investment Management Agreement are more particularly described under “GENERAL INFORMATION – 2. Material Contracts” on pages 41 to 42 below. The Investment Manager may act as investment manager of and/or adviser to other funds or clients established in the Cayman Islands or elsewhere or as manager of and/or adviser to other funds or clients in the future.

## **ADMINISTRATION AND CUSTODY**

### **Administration**

Northern Trust International Fund Administration Services (Ireland) Limited has been appointed Administrator under the Administration Agreement. Under the terms of that Agreement, and subject to the overall policy and supervision of the Directors and their general or specific instructions, the Administrator will administer the Company’s accounting records, calculate the Net Asset Value of the Company and the Net Asset Value per Share of each class and serve as registrar in respect of the Shares and as redemption agent. The register of Shareholders may be inspected at the offices of the Administrator during normal business hours.

The Administrator is a private limited liability company incorporated in Ireland on 15 June 1990 and, like the Custodian, is an indirect wholly-owned subsidiary of Northern Trust Corporation. Northern Trust Corporation and its subsidiaries comprise the Northern Trust Group, one of the world’s leading providers of global custody and administration services to institutional and personal investors. As at 31 March 2008, the Northern Trust Group’s assets under custody and administration totalled in excess of US\$4 trillion

The fees and expenses payable to the Administrator are described under “FEES AND EXPENSES – Administrator’s Fees and Expenses” on page 18 below.

The Administration Agreement is described in more detail under “GENERAL INFORMATION – 2. Material Contracts” on pages 41 to 42 below.

### **Custody**

Northern Trust Fiduciary Services (Ireland) Limited has been appointed Custodian under the Custodian Agreement. All the assets of the Company (including those which are not registered directly in its name or that of a subsidiary) will be held by the Custodian for the account of the Company or by sub-custodians appointed by the Custodian which will, inter alia, be responsible for the custody and/or control of all the Company’s assets, collection of all income and other payments thereon, and the holding of any interest credited, with respect to the assets. Further, the Directors will satisfy themselves that adequate custody arrangements have been entered into by any investment manager or fund to which the assets of the Company will be allocated or invested.

The Custodian is a private limited liability company incorporated in Ireland on 5 July 1990. Its main activity is the provision of custodial services to collective investment schemes. The Custodian is an indirect wholly-owned subsidiary of Northern Trust Corporation. Northern Trust Corporation and its subsidiaries comprise the Northern Trust Group, one of the world’s leading providers of global custody and administration services to institutional and personal investors. As at 31 March 2008, the Northern Trust Group’s assets under custody and administration totalled in excess of US\$4 trillion.

The fees and expenses payable to the Custodian and Sub-custodians are described under “FEES AND EXPENSES – Custodian’s Fees and Expenses” on page 18 below.

The Custodian Agreement is described in more detail under “GENERAL INFORMATION – 2. Material Contracts” on pages 41 to 42 below.

## **FEES AND EXPENSES**

### **Subscription Charge**

The Company may levy an initial subscription charge of up to 3 per cent. of the Net Asset Value per Class A, Class B and Class C Share in connection with the subscription of Shares. This fee will be retained for the benefit of the Investment Manager. The Investment Manager may, in its sole discretion, (i) pay commission to financial intermediaries who refer prospective investors out of this initial charge and/or the performance fee, or (ii) waive the initial subscription charge for certain prospective investors based on factors deemed appropriate by the Investment Manager including, but not limited to, the amount of the proposed investment by a prospective investor.

In addition, the Investment Manager may enter into agreements with placement agents and other third parties in relation to the distribution of Shares, and such third parties may receive all or a portion of the subscription charge and/or performance fee payable in respect of such Shares.

### **Investment Manager's Fees and Expenses**

#### *Periodic Performance Fee*

The Company will pay to the Investment Manager out of the assets of the Company a periodic performance related management fee (the "Performance Fee") equal to 15 per cent. of the increase, if any, in the Net Asset Value per Share of the Class A, Class B or Class C Shares outstanding in respect of each performance period less any loss carry forward per Share of such Class. By virtue of the loss carry forward, there will be no double charging of the Performance Fee where any previous losses are recovered. The Performance Fee is payable monthly in arrears in respect of monthly performance periods (each a "Performance Period").

Fees are exclusive of VAT, if any.

The Investment Manager may also recover out-of-pocket expenses reasonably incurred by it or its agents or delegates in the performance of their respective functions.

#### *Adjustments Due to Deficit Subscriptions*

Where an investor subscribes for Class A, Class B or Class C Shares at a time when the Net Asset Value per Share of such Class is less than the relevant High Water Mark then an adjustment is required to reduce inequalities that may otherwise result to the respective subscriber or to the Investment Manager. The High Water Mark in respect of Class A, Class B and Class C Shares is the greater of:-

- (i) the highest Net Asset Value per Share of the relevant Class on the last day of any Performance Period; and
- (ii) the initial offer price per Share of the relevant Class

in each case adjusted to take into account any distributions made.

Where Class A, Class B or Class C Shares are subscribed at a time when the Net Asset Value per Share for the relevant Class is less than the relevant High Water Mark no Performance Fee will be accrued in respect of such Shares until the relevant High Water Mark has been recovered. Accordingly, new Class A, Class B and Class C Shareholders will, in effect, be required to pay an equivalent Performance Fee with respect to any subsequent appreciation in the Net Asset Value per Share of those new Class A, Class B and Class C Shares until the relevant High Water Mark has been reached. This will be achieved by the Company having the power to redeem a portion of that Shareholder's holding of Class A, Class B or Class C Shares, as the case may be, for no consideration and to pay an amount equivalent to the relevant Performance Fee to the Investment Manager at the end of the Performance Period. After the High Water Mark has been achieved, the Performance Fee relating to such Shares will be calculated and levied in the same manner as for all other Class A, Class B and Class C Shares.

### ***Payment of Management Fee***

The Performance Fee is payable by the Company to the Investment Manager within ten days after it becomes due.

### **Administrator's Fees and Expenses**

The Administrator is entitled to receive out of the assets of the Company an administration fee, accrued daily and payable monthly in arrears, of 0.085 per cent. per annum of the Net Asset Value of the Company calculated as of the last Valuation Point of each calendar month. This is subject to a monthly minimum of up to US\$2,500. Fees are exclusive of VAT, if any. The fees will be calculated in US dollars, the base currency of account of the Company.

The Administrator shall also be entitled to be repaid out of the assets of the Company all its reasonable out-of-pocket expenses incurred on behalf of the Company.

### **Custodian's Fees and Expenses**

The Custodian shall be entitled to receive out of the assets of the Company a custodian fee, accrued daily and payable monthly in arrears, of 0.045 per cent. per annum of the Net Asset Value of the Company calculated as of the last Valuation Point of each calendar month subject to a monthly minimum of US\$750 for the first six months following the first issue of Shares, US\$875 for the next six months and US\$1,000 thereafter. In addition, the Custodian shall be entitled to a transaction fee of US\$150 for each transaction. The fees will be calculated in US dollars, the base currency of account of the Company.

The Custodian shall also be entitled to be repaid out of the assets of the Company all of its reasonable out-of-pocket expenses incurred on behalf of the Company.

### **Directors' Fees and Expenses**

The Company shall pay to the Directors such annual remuneration for acting as Directors of the Company as the Directors may from time to time agree. All Directors have waived their fee save for Jeremy Svejdar and Edward Charlton who each receive a fee of \$2,500 per annum. Such fee shall be paid quarterly in arrears. No other remuneration will be payable by the Company to the Directors except for out-of-pocket expenses reasonably incurred by them in fulfilling their duties as Directors of the Company.

### **Preliminary and General Expenses**

The formation and preliminary expenses incurred (including printing and legal fees) in the establishment of the Company and in connection with the offering, issue and listing of Class A, Class B and Class C Shares amounted to US\$71,000. These expenses are being amortised by the Company over the first five years of its operations, subject to the Directors' discretion to vary this if they consider it prudent to do so. As at 31 May 2008 US\$16,544.20 remained to be amortised.

The Company will bear all fees and expenses relating to its operation (including without limitation Directors' fees, registrar and transfer agent fees and expenses, audit, accounting, record-keeping, printing and legal fees and expenses, all costs and expenses associated with the listing of Shares of the Company on any exchange, marketing and qualification for sale of Shares in any jurisdiction in which Shares may be offered, providing reports to Shareholders and convening and conducting meetings of Shareholders and Directors, and all taxes, assessments or other governmental charges levied against the Company). In addition, investment management, administration, custodian, brokerage and other fees relating to the management, purchase and sale of investments will be borne out of the assets of the Company.

### **Fees and Expenses of Underlying Investment Funds**

As the investment objectives of the Company may be achieved through investment in underlying investment funds, the Company will bear its share of the expenses attributable to those investments (whether directly or indirectly) including, without limitation, any redemption fees or other charges which may be levied by such funds or their operators and investment managers and advisers. Investment funds of the type in which the Company intends to invest invariably charge in addition to a management fee (typically of between one and two per cent. of the relevant net asset value per annum), an incentive fee based on a percentage of profits.

The incentive fee may, in some cases, be as high as 25 per cent. of profits (or possibly higher in certain cases). Often profits will be assessed on a “high watermark” basis so that no new incentive fee is payable until any prior losses have been recouped, but this may not always be the case.

## **SUBSCRIBING FOR SHARES**

### **Subscriptions**

Class A (US dollars), Class B (Sterling) and Class C (Euro) Shares of the Company will be available for purchase on each subscription Dealing Day at prices calculated with reference to the Net Asset Value per Share of the relevant Class, prior to accrual for any Performance Fee for the relevant Performance Period, plus a discretionary sales charge of up to 3 per cent. of the Net Asset Value per Share of the relevant class. The subscription price per Share of each class is calculated in accordance with the procedures referred to under “CALCULATION OF NET ASSET VALUE AND SUBSCRIPTION AND REDEMPTION PRICES” on pages 23 to 26 below.

The first Business Day in each calendar month is currently a Dealing Day for subscription purposes in respect of the Class A (US dollars), Class B (Sterling) and Class C (Euro) Shares. The Valuation Point in respect of each Dealing Day is currently midnight (Dublin time) on the last calendar day of the immediately preceding calendar month.

Application Forms, duly completed, must be received no later than 5.00 p.m. (Dublin time) on the fifth Business Day prior to the relevant Dealing Day or such earlier or later day as the Directors shall from time to time determine generally or in respect of specific applications. Cleared funds in respect of the subscription must be received no later than 5.00 p.m. (Dublin time) on the third Business Day prior to the relevant Dealing Day or such earlier or later day as the Directors shall from time to time determine generally or in respect of specific applications.

### **Minimum Investment**

The minimum initial subscription for Class A, Class B and Class C Shares is US\$100,000, or the Sterling or Euro equivalent, respectively, net of subscription and/or bank charges. The minimum additional subscription for Class A, Class B and Class C Shares is US\$20,000 (or the appropriate Sterling or Euro equivalent) net of charges. The Directors have the discretion to accept further subscriptions of a lesser amount.

### **Subscription Procedure**

Applications for Shares should be made by written application using the Application Form available from the Administrator. Applicants should subscribe for Shares in accordance with the instructions contained in the Application Form. Application Forms, duly completed, should be sent to the Administrator. Further subscriptions for Shares made by existing Shareholders may be made by completion and submission of an Application Form in the form provided or such other form or on such other basis as may be acceptable to the Administrator acting on behalf of the Company.

The Company is under no obligation to consider the allotment and issue of Shares to an applicant unless and until it has received a duly completed original application and value in cleared funds by the times and dates referred to above. Shares will not be registered in the name of the subscriber until complete original application forms and such other information as may be required by the Company and/or the Administrator is received by the Administrator. Applications received by the Administrator on behalf of the Company are irrevocable unless and until rejected by the Company as provided below. No interest will be paid to investors in respect of subscription monies received on behalf of the Company regardless of whether such application is accepted or rejected by the Company.

The Directors reserve the right to reject any application in whole or in part, in which event the application monies or any balance thereof will be returned to the applicant without interest at its own risk within a reasonable period following the relevant Dealing Day. Where applications are accepted, notification of the allotment and issue of Shares will be sent as soon as reasonably possible following the relevant Dealing Day for subsequent issues.

Shares will be issued in uncertified form only, with ownership being evidenced by entry in the Company's register of Shareholders.

### **Anti-Money Laundering Procedures**

Measures aimed at the prevention of money laundering will, subject as set out below, require an applicant for Shares to verify its identity and/or source of funds to the Administrator. Depending on the circumstances of each application, verification of the source of funds may not be required where the application is made either through a regulated financial intermediary or by a regulated financial institution provided that in each case such intermediary/institution is domiciled in a country which has been prescribed by the Irish Minister for Justice as having anti-money laundering regulations in place equivalent to those in force in Ireland.

By way of example an individual will be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public, the police or the ambassador in his country of residence, together with two items of evidence of his address such as a utility bill or bank statement (but not a mobile telephone bill). In the case of corporate applicants this may require production of a certified copy of the Certificate of Incorporation (and any change of name) and of the Memorandum and Articles of Association (or equivalent), and of the names and residential and business addresses of all directors and beneficial owners.

The details given above are by way of example only and the Administrator will request such information and documentation as it, in its absolute discretion, considers is necessary to verify the identity or source of funds of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator may refuse to accept the application and the subscription monies relating thereto, in which case the subscription monies may be returned without interest to the account from which the monies were originally debited, or may refuse to settle a redemption request until proper information has been provided.

Each applicant for Shares acknowledges that the Administrator shall be held harmless against any loss arising as a result of a failure to process its application for Shares if such information and documentation as has been requested by the Administrator has not been provided by the applicant.

Each applicant for Shares will be required to make such representations as may be required by the Directors in connection with anti-money laundering programmes, including, without limitation, representations that such applicant is not a prohibited individual or entity or resident in a prohibited country or territory listed on the United States Department of Treasury's Office of Foreign Assets Control ("OFAC") website and that it is not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programmes. Each applicant will also be required to represent that subscription monies are not directly or indirectly derived from activities that may contravene United States federal or state, or international, laws and regulations, including anti-money laundering laws and regulations.

### **Eligible Investors**

Each prospective investor is required to certify that the Shares are not being acquired directly or indirectly for the account or benefit of a "Restricted Person" and such applicants will not sell or offer to transfer or sell Shares to or directly or indirectly for the benefit of a Restricted Person unless the Company gives its prior approval. "Restricted Person" as used in this document means (i) any US Person (as defined under "GENERAL INFORMATION – 3. Definitions of "US Person", "US Taxpayer" and "Benefit Plan Investor"" on pages 42 to 44), (ii) any person that is a Benefit Plan Investor (as defined under "GENERAL INFORMATION – 3. Definitions of "US Person", "US Taxpayer" and "Benefit Plan Investor"" on pages 42 to 44 ); (iii) any person whose holding of Shares would result in legal, pecuniary, tax, regulatory or material administrative disadvantage to the Company or its Shareholders, and (iv) any person whose holding of Shares would cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply.

Notwithstanding that US Persons are Restricted Persons, the Company reserves the right to accept applications for Shares from a limited number or category of US Persons if the Company receives evidence satisfactory to it that the sale of Shares to such investors is exempt from registration under the securities laws of the United States, that such sale will not require the Company to register under the Investment Company Act of 1940, as amended ("1940 Act"), and, in all events, that there will be no adverse tax or other

consequences to the Company or its Shareholders, in the judgement of the Directors, as a result of such sale. If and when permitted, US Persons subscribing on this basis must receive a supplemental disclosure document and will be required to complete a set of additional subscription documents contained therein.

### **Payment of Subscription Price**

Payment for Class A Shares shall be made in US dollars. Payment for Class B Shares shall be made in Sterling. Payment for Class C Shares shall be made in Euro.

The Company has standing arrangements in place for subscription monies to be paid in the following manner:

- (a) by telegraphic transfer (“TT”) as specified in the Application Form available from the Administrator;
- (b) by bank draft or cheque (crossed “A/C Payee Only Not Negotiable”) payable to “Absolute Focus Fund Limited”.

Payments by TT should quote the applicant’s name, bank, bank account number and contract note number (if one has already been issued). Any bank charges incurred in making the TT will be payable by the applicant.

### ***In Specie Subscriptions***

The Directors reserve the right to accept subscriptions satisfied by way of in specie transfers of assets. In exercising their discretion, the Directors shall take into account the investment objective, policy and strategy of the Company and whether the proposed in specie assets comply with those criteria, including the Company’s permitted investments. Any in specie subscription that meets the investment criteria will be valued by the Administrator in accordance with the valuation procedures of the Company set out at pages 23 to 26 below. Upon receipt of a properly completed Application Form, the Administrator will allot the requisite number of Shares in the normal manner. The Directors reserve the right to decline to register any prospective investor on the register of Shareholders until the subscriber has been able to prove title to the assets in question and make a valid transfer thereof. The subscriber shall be responsible for all custody and other costs involved in transferring the ownership of the relevant assets unless the Directors agree otherwise.

## **REDEEMING SHARES**

### **Redemption Dealing Days**

Shares may be redeemed on each redemption Dealing Day at prices calculated with reference to the Net Asset Value per Share of the relevant class calculated as at the Valuation Point in respect of each applicable redemption Dealing Day, adjusted to deduct an amount equal to any Performance Fee accrued and payable, and expressed in the currency of denomination of the appropriate class. The redemption price per Share of each class is calculated in accordance with the procedures referred to under “CALCULATION OF NET ASSET VALUE AND SUBSCRIPTION AND REDEMPTION PRICES” on pages 23 to 26 below.

The first Business Day in each calendar month is currently a Dealing Day for redemption purposes. The Valuation Point in respect of each Dealing Day is currently midnight (Dublin time) on the last calendar day of the immediately preceding month. Shareholders who have acquired the Shares to be redeemed through a purchase *in specie* will be charged a redemption fee of up to one per cent. of the Net Asset Value of any Shares redeemed within six months following subscription therefore. The Directors may, however, waive this requirement at any time at their discretion.

Unless otherwise specified, Shares first purchased will be considered first redeemed.

### **Minimum Redemption Amounts**

Since the redemption price of Shares is tied to the Net Asset Value of the underlying assets of the Company and reflected in the currency of the appropriate class, it should be noted that the price at which an investor may redeem his Shares may be more or less than the price at which he subscribed for them, depending, *inter alia*, on whether the value of the Company has appreciated or depreciated between the date of subscription and the date of redemption, any sales or other charges levied at the time of subscription, dividends (if any)

declared and paid on the Shares and movements in the rate of exchange between the Company's base currency of account and the currency in which the relevant class is denominated.

The minimum redemption amount in respect of Class A, Class B and Class C Shares is US\$10,000 (or the appropriate Sterling or Euro equivalent) net of charges, if any. The minimum residual holding is Class A, Class B or Class C Shares having a value of at least US\$100,000 and/or the appropriate Sterling or Euro equivalent. These minimums may be lowered, increased or waived at the discretion of the Directors. In addition, different minimum redemption amounts and minimum residual holdings may be prescribed in respect of additional classes which may be created in the future.

### **Redemption Procedure**

Shares may be held only in uncertificated form. All or part of any holding in Shares may be redeemed by completing the "Redemption Request Form" available from the Administrator and sending the form by facsimile, post or other appropriate form of delivery to the Administrator in accordance with the instructions contained in the Form. If the redemption request form is faxed or sent by other than original form the original should follow by post and must be received prior to redemption. Redemption requests may also be accepted in such other form as the Administrator on behalf of the Company may approve. To be effective, requests for redemption of Shares must be received by the Administrator no later than 5.00 p.m. (Dublin time) on the Business Day falling at least thirty-five (35) days prior to the relevant Dealing Day, or such lesser number of days as the Directors may in their sole discretion determine generally or in respect of any individual redemption request. Unless the number or value of Shares to be redeemed is specified in a redemption request, it will be deemed to apply to all the Shares of that class held by the Shareholder. Requests for redemption once received on behalf of the Company may not be withdrawn unless otherwise agreed by the Directors.

### **Payment of Redemption Price**

Any amount payable to a Shareholder upon redemption will be paid, in the currency of denomination of the class of Shares being redeemed, normally within ten Business Days of the Net Asset Value of the Company and/or class being finally determined to the satisfaction of the Administrator, in accordance with the policies established by the Directors. All payments will be made by transfer to the bank account previously designated in the Application Form by the Shareholder concerned for such purpose. The expenses of transfer will be borne by the relevant Shareholder. In the event that a Shareholder wishes to have proceeds from redemption paid to an account other than the account specified in the account application form, such information must be specified in the redemption request. Failure to provide complete details in a redemption request may result in delays in the receipt of redemption proceeds. The Company reserves the right to insist on instructions with regard to payment being received in writing under the verified signature of the Shareholder or to adopt other verification procedures at its sole discretion.

If the Company is required by the laws of any relevant jurisdiction to make a withholding from any redemption monies payable to the holder of Shares, the amount of such withholding shall be deducted from the redemption monies otherwise payable to such person.

Partial redemptions of Shares may be effected. The Company will have the right compulsorily to redeem any Shareholding where the Net Asset Value of that holding is less than the minimum specified residual holding applicable to that class.

### **Deferral of Redemption Requests**

If the number of Shares falling to be redeemed on any redemption Dealing Day is equal to ten per cent. or more of the total number of Shares of the Company in issue or deemed to be in issue on such redemption Dealing Day, then the Directors may in their absolute discretion refuse to redeem any Shares in excess of ten per cent. (or such greater percentage determined by them) of the total number of such Shares of the Company. If they so refuse, the requests for redemption on such redemption Dealing Day shall be reduced ratably and the Shares to which each request relates which are not redeemed by reason of such refusal shall be treated as if a request for redemption had been made in respect of each subsequent redemption Dealing Day until all the Shares to which the original request related have been redeemed. Requests for redemption which have been carried forward from an earlier redemption Dealing Day shall (subject always to the foregoing limits) be complied with in priority to later requests.

### ***In Specie Redemptions***

If the number of Shares falling to be redeemed on any redemption Dealing Day is equal to ten per cent. or more of the total number of Shares of the Company in issue, the Directors may in their absolute discretion, but only with the prior approval of the affected Shareholder(s), elect to satisfy the redemption in whole or in part by way of the transfer in specie of assets of the Company. The costs of such transfer shall be borne by the relevant Shareholder. Where such an election is made, the Directors or the relevant Shareholder(s) may further elect for the relevant assets to be held in a segregated account of the Company and for the proceeds of disposal of such assets, less costs, to be distributed to the relevant Shareholder. Any such distributions in specie will not materially prejudice the interests of the remaining Shareholders.

### **Compulsory Redemptions**

The Directors may, in their absolute discretion, effect the compulsory redemption of all (but not some) of the Shares registered in the name of a Shareholder at the ruling redemption price per Share if, in the opinion of the Directors, the Shares are held or being acquired directly or indirectly for the account of a Restricted Person (as referred to under “SUBSCRIBING FOR SHARES – Eligible Investors” on page 20 above) and in any of the other circumstances referred to under “CONSTITUTION OF THE COMPANY – Compulsory Redemption of Shares” on page 38 below.

## **EXCHANGES**

Shareholders may exchange Class A (US dollar), Class B (Sterling) or Class C (Euro) Shares in the Company for Shares of a different Class free of charge no more than twice in a calendar year. In the event that a Shareholder wishes to effect more than two exchanges within a calendar year, the Company reserves the right in its sole discretion to reject such exchange request or, alternatively, to permit the exchange but to charge an administrative fee of 0.05 per cent. of the Net Asset Value of the amount exchanged. Exchange requests must be received in good order by the Administrator no later than 5.00 p.m. (Dublin time) on the Business Day falling no less than five (5) Business Days, or such shorter time period as the Directors may determine, prior to the Dealing Day in which the request is to be effective. Exchange requests not received within this time period will be rejected.

## **CALCULATION OF NET ASSET VALUE AND SUBSCRIPTION AND REDEMPTION PRICES**

### **Calculation of Net Asset Value**

Except when the determination of the Net Asset Value has been suspended in the circumstances set out under “CALCULATION OF NET ASSET VALUE AND SUBSCRIPTION AND REDEMPTION PRICES – Suspension of Subscriptions and Redemptions” on pages 25 to 26 below, the Net Asset Value of the assets of the Company and/or class will be calculated as at the Valuation Point in respect of each Dealing Day or more frequently if requested by the Directors.

The Net Asset Value of the Company and/or a specific class is the value of those assets less the total liabilities of the Company which are attributable to the Company and/or that specific class. These assets include the sum of all cash, accrued interest and the value of all investments held by the Company which are in each case so attributable to the relevant class. Total liabilities include borrowings and amortised expenses, all accrued expenses and any contingencies (including tax) for which reserves are determined to be required which are in each case so attributable.

In calculating the value of assets of the Company and/or class:-

- (a) the value of any unit or share in an investment fund or other collective investment undertaking which provides for the units or shares to be realised at the option of the holder out of the assets of that undertaking shall be valued at the last available net asset value per share or unit as at the last Valuation Point;
- (b) securities traded on a stock exchange and in respect of which such a valuation is not, in the opinion of the Directors, readily available, are to be valued generally at the last reported sales

- (c) unlisted securities in respect of which such a price is not, in the opinion of the Directors, readily available, will be valued initially at cost and thereafter with any reduction or increase in value (as the case may be in a manner determined by the Directors) to reflect the true value thereof;
- (d) cash, deposits and similar property shall be valued at their face value (together with accrued interest) unless, in the opinion of the Directors, any adjustment should be made; and
- (e) the value of accounts receivable, prepaid expenses and cash dividends accrued and not yet received shall be deemed to be the full amount thereof, unless they are, in the opinion of the Directors, unlikely to be paid or received in full, in which case the value thereof shall be arrived at by making such discount as the Directors may consider appropriate to reflect the true value thereof.

In addition, special situations affecting the measurement of the Net Asset Value of the assets of the Company may arise from time to time. Prospective investors should be aware that situations involving uncertainties as to the valuation of such assets could have an adverse effect on the Net Asset Value of the Company. In particular, the assets of the Company may be invested in investment funds which are not regularly traded on an exchange and the accuracy of the Net Asset Value may be affected by the frequency of the valuations of securities provided by those funds. Fund managers who manage investment funds may report on a weekly, bi-weekly, and monthly basis, or less frequently.

Although the Company will generally use the last available price in respect of each investment in order to calculate the Net Asset Value, it reserves the right to use more recent valuations or estimates where this is considered appropriate.

In instances where the value of an investment cannot be determined in accordance with the above procedures, or in instances where the Directors or the agents of the Company determine that it is impracticable or inappropriate to determine a price or liability in accordance with the above procedures, the price or liability will be a fair and reasonable value or a fair and reasonable assessment of the liability as determined in good faith and on a prudent basis in such manner as the Directors or the agents of the Company may prescribe in accordance with the accounting procedures applicable from time to time to the Company.

### **Calculation of Net Asset Value per Share**

The Net Asset Value per Share calculated as of the Valuation Point in respect of each Dealing Day is determined by dividing the Net Asset Value of the assets of the Company as so calculated by the number of Shares outstanding.

Where more than one class of Shares is in issue, the Net Asset Value of the Company calculated as provided above shall be allocated between each class in accordance with the respective values in the base currency of account of the Company, represented by subscriptions and redemptions of Shares of each class received or made from time to time. Where different entitlements, costs or liabilities apply in respect of different classes, these are excluded from the initial calculation of the Net Asset Value of the Company and shall be applied separately to the Net Asset Value allocated to each relevant class. The portion of the Net Asset Value of the Company attributable to each class shall then be converted into the relevant currency of denomination of the class (if different from the Company's underlying currency of account) at prevailing exchange rates applied by the Administrator and shall be divided by the number of Shares of the relevant class in issue as at the relevant Valuation Point in order to calculate the Net Asset Value per Share of the relevant class.

The Company's principal investments will comprise a single portfolio of underlying securities, in which each Share class thereof participates. The base currency of account of the Company is the US dollar. However, Class B Shares are denominated in Sterling and Class C Shares are denominated in Euros. The Company may therefore seek to protect investors in those Share classes from adverse fluctuations in exchange rates by engaging in foreign currency hedging transactions. Gains and losses, costs, income and expenditure attributable to such hedging transactions will be allocated to the relevant Share class.

The Directors intend to publish monthly in the Financial Times in London and/or such other newspapers or journals as the Directors may in their sole discretion determine, the Net Asset Value of Class A (US dollar), Class B (Sterling) and Class C (Euro) Shares of the Company, which will take into account accrued performance. The Administrator will notify the Irish Stock Exchange of the Net Asset Value of the Shares of each class of the Company without delay once calculated.

### **Calculation of Subscription Prices**

The price at which Shares of each class of Shares of the Company may be subscribed on a subscription Dealing Day is the Net Asset Value per Share of the relevant class calculated as at the Valuation Point in respect of the relevant Dealing Day expressed in the currency of denomination of the relevant class plus any sales charge payable to the Investment Manager (see “FEES AND EXPENSES – Subscription Charge” on page 17 above). In certain circumstances (more particularly described at page 17 under “FEES AND EXPENSES - Investment Manager’s Fees and Expenses: Adjustments Due to Deficit Subscriptions”) subscribers will be required to pay a sum equivalent to the Performance Fee with respect to any subsequent appreciation in the Net Asset Value per Share of the relevant Class until the High Water Mark applicable to Shares of such Class has been recovered. This will be achieved by the Company having a power to redeem a portion of that Shareholder’s holding of Shares of the relevant Class for no consideration and paying an equivalent amount to the Investment Manager as a Performance Fee.

The Company may, in addition, add to the subscription price of any Share such sum as it may consider represents the appropriate provision for duties and charges which would be incurred on the assumption that all or part of the proceeds of a particular subscription were to be invested in the underlying property of the Company or, where considered appropriate, all investments attributable to the Company were to be acquired as at that Valuation Point and, if in the opinion of the Directors not to do so would cause an inequity between Shareholders, the Net Asset Value of the relevant assets may be determined on the basis of the offer or purchase prices of the relevant underlying investments when calculating the price.

### **Calculation of Redemption Prices**

The price at which Shares of each class of Shares may be redeemed on a redemption Dealing Day is the Net Asset Value per Share of the relevant class calculated as at the Valuation Point in respect of the relevant Dealing Day expressed in the currency of the relevant class. In certain circumstances (more particularly described at page 17 under “FEES AND EXPENSES - Investment Manager’s Fees and Expenses: Adjustments Due to Deficit Subscriptions”) the redemption price of Shares may be subject to certain adjustments. Where a Shareholder, who has subscribed for Shares at a time when the Net Asset Value per Share of the relevant Class is less than the High Water Mark in respect of Shares of such Class, redeems Shares of such Class following an appreciation of the Net Asset Value per Share of such Class, a portion of the Shareholder’s holding will be redeemed by the Administrator and the proceeds paid to the Investment Manager.

The Company may in addition deduct such sum as it may consider represents appropriate allowances for duties and charges in relation to the realisation of all or part of the investments of the Company attributable to a particular redemption or, where considered appropriate, all investments attributable to the Company held as at that Valuation Point and, if in the opinion of the Directors not to do so would cause an inequity between Shareholders, the Net Asset Value of the relevant assets may be determined on the basis of the bid or redemption prices of the relevant underlying investments when calculating redemption proceeds.

### **Suspension of Subscriptions and Redemptions**

Investments held by the Company may not always be quickly or easily realised and therefore calls for redemption of Shares may not be met notwithstanding the thirty-five (35) day notice period for redemptions even though the Company may hold some liquid investments. Such delay may result from, *inter alia*, underlying funds suspending or delaying redemptions and where the Directors, in their discretion, choose not to borrow to meet redemption requests and/or conduct an *in specie* redemption. In such cases (and the other cases set out below) the Directors may temporarily suspend the determination of the Net Asset Value of the assets of the Company, the issue and redemption of Shares and the payment of redemption proceeds (or any portion thereof) in such circumstances as they may determine in their absolute discretion, including without limitation during any period or part thereof:-

- (a) when a substantial portion of the investments of the Company cannot be valued either by reason of the closure or suspension of the principal markets or exchanges on which the investments are quoted, listed, traded or dealt in other than for ordinary holidays, or during which valuations therein are restricted or suspended or during the suspension of dealing in underlying investments in which the Company is invested;
- (b) when, as a result of political, economic, military or monetary events or any other circumstances outside the control, responsibility and power of the Company, disposal or valuation of a material portion of investments of the Company is not, in the opinion of the Directors, reasonably practicable without this being seriously detrimental to the interests of the relevant Shareholders or if, in the opinion of the Directors, the Net Asset Value of the assets of the Company cannot be calculated fairly;
- (c) in which there is a breakdown in the means of communication normally employed in determining the price of a substantial portion of the investments held by the Company or when for any other reason the value of any of the investments or other assets cannot reasonably or fairly be ascertained;
- (d) when the Company, Administrator or the Custodian is unable to repatriate funds required for the purpose of making payments on redemption; or during which any transfer of funds involved in the realisation or acquisition of assets or when payments due on redemption cannot, in the opinion of the Directors, be effected at normal rates of exchange;
- (e) when proceeds of any sale or redemptions of Shares of a particular class cannot be transmitted to or from the account of the Company; or
- (f) if a resolution calling for the liquidation, dissolution or merger of the Company or of Shares of a particular class has been prepared.

No Shares of the Company may be issued (other than those which have already been allotted) nor may Shares be redeemed during a period of suspension. In the event of suspension, a Shareholder may withdraw his redemption request provided that such withdrawal is actually received before the termination of the period of suspension. Where the request is not so withdrawn, the day with reference to which the redemption of the Shares will be effected will (if later than the day on which the redemption would otherwise have been effected if there had been no suspension) be the applicable Dealing Day next following the end of the suspension.

Any suspension in the determination of the Net Asset Value of the assets of the Company or of the issue/redemption of Shares will be notified immediately to the Irish Stock Exchange and all reasonably practicable steps will be taken to bring any period of suspension to an end as soon as possible.

## **REPORTS AND ACCOUNTS**

The Company's accounting period ends on 30 September in each year. Copies of the audited financial statements of the Company made up to 30 September in each relevant year will be available from the offices of the Company and will be posted to Shareholders and sent to the Irish Stock Exchange and the Cayman Islands Monetary Authority within 6 months of the period to which they relate. Unaudited interim accounts of the Company will be prepared and sent to Shareholders and the Irish Stock Exchange within 4 months of the period to which they relate.

## **RISK FACTORS**

There are significant risks associated with investment in the Company and in the Shares. Investment in the Shares may not be suitable for all investors and is intended for investors who can accept the risks associated with such an investment, including a substantial or complete loss of their investment.

The risks which an investor should take into account include risks which are Company specific, *i.e.* they apply to the Company and all its current and future Share classes; and which are Share class specific, *i.e.* they are specific to a Share class and arise in respect of the investment objective, policy and strategy adopted by the Company and that of the underlying investment funds in which it invests or with respect to any

particular class of Shares. There are no geographical restrictions imposed on the Company in relation to the underlying investment funds and assets in which the Company may invest or in relation to the investment strategies or geographical exposure of underlying investment funds in which investment may be made. Investment funds in which the Company may invest may include funds which are treated as unregulated collective investment schemes in the United Kingdom. Each prospective investor should carefully consider these risks before investing in the Company and in the Shares.

Investors should take into account the following factors when considering the risks associated with investment in the Company and in the Shares:–

### **General**

Investors should note that the value of their investment in Shares of the Company and any income derived from them can go down as well as up and the value of an investor's investment may be subject to sudden and substantial falls. An investor may not be able to get back the amount invested and the loss on realisation may be high and could result in a substantial or complete loss of the investment. In addition, an investor who redeems Shares after a short period may, in addition, not realise the amount originally invested as a result of sales and other charges made on the issue and/or redemption of the Shares. Investors should also be aware that there may be differences in the Net Asset Value of Shares for the purposes of purchases and redemptions of Shares.

### **UK Regulatory Disclosure**

A United Kingdom investor who enters into an investment agreement to acquire Shares of the Company will not have the right (otherwise provided under the United Kingdom Financial Services Authority Handbook of Rules and Guidance) to cancel that agreement constituted by the acceptance by or on behalf of the Company of an application for Shares.

In addition, most if not all the protections provided by the United Kingdom regulatory structure will not apply to investments in the Company. The rights of Shareholders in the Company will not be protected by the Financial Services Compensation Scheme in the United Kingdom.

### **Operating History**

The Company was formed in 2005 and the Investment Manager was formed in 2001. There can be no assurance that the Company will achieve its investment objectives. The past investment performance of the Company or the Investment Manager may not be construed as an indication of the future results of an investment in the Company.

### **Business Dependent Upon Key Individuals**

The success of the Company is dependent upon the expertise of Charles Hovenden and other key personnel, and any future unavailability of their services could have an adverse impact on the Company's performance.

### **Reliance on Valuation of Underlying Funds**

Special situations affecting the measurement of the Net Asset Value of the assets of the Company may arise from time to time given the Company's investments in underlying investment funds. Prospective investors should be aware that uncertainties with respect to the valuation of such assets could have an adverse effect on the Net Asset Value of the Company. In particular, the assets of the Company may be invested in investment funds which are not regularly traded on an exchange and the accuracy of the Net Asset Value may be affected by the frequency of the valuations of securities provided by those funds. Managers who manage investment funds may report on a weekly, bi-weekly, and monthly basis, or less frequently.

Although the Company will generally use the last available price in respect of each investment in order to calculate the Net Asset Value, it reserves the right to use more recent valuations or estimates where this is considered appropriate.

### **Restrictions on Redemptions**

Any redemption that will result in the Net Asset Value of all remaining Shares of a particular Class of Shares owned by a redeeming Shareholder being less than US\$100,000, or the Sterling or Euro equivalent with respect to Class A (US dollars), Class B (Sterling) and/or Class C (Euro) Shares may be treated as a notice of redemption for all remaining Shares of that class held by such Shareholder. A prospective investor should realise that should the Company incur substantial losses as a result of its investment activities, the Company may have insufficient funds from which to pay the requested redemption payment. Sizeable redemptions of Shares by Shareholders may have an adverse impact on the ability of the Company to successfully conduct its business and activities in relation to that class. Redemptions of all or any Shares may be suspended by the Company in certain circumstances.

### **Restrictions on Transfer**

Investors should be fully aware of the restrictions on transfer of their Shares in the Company. The Shares are unlikely to be registered under the securities laws of any jurisdiction and there will be no ready market for them.

### **Cross Class Liability**

The Company currently issues Shares in three classes, Class A, (US Dollar), Class B (Sterling) and Class C (Euro). The Directors may in future issue additional classes of Shares in respect of the portfolio of the Company. Separate records will be maintained in the books of the Company with respect to the assets, liabilities and expenses attributable to each class. However, a single segregated account will be maintained in respect of the assets of the Company which will be managed as a single portfolio in accordance with the investment objective and policies of the Company. All of the assets of the Company are available to meet all of the liabilities of the Company, regardless of the class to which such assets or liabilities are attributable (if any).

### **Conflicts of Interest**

The prospect of the Performance Fee may lead the Investment Manager to make investments that are riskier than would otherwise be the case. The Performance Fee is calculated on unrealised as well as realised gains and hence may arise although the relevant gains are not realised.

Other clients of the Investment Manager may have similar investment objectives although the Investment Manager, in particular in relation to the allocation of investment opportunities, will act fairly as between its clients.

### **Investment and Trading Risks in General**

All securities investments present a risk of loss of capital. Underlying investment funds in which the Company may invest may utilise such investment techniques as option transactions, limited diversification, margin transactions, short sales and futures and forward contracts and other leveraged or derivative transactions which practices can, in certain circumstances, significantly exacerbate any losses.

### **Commodity Interests and Options**

The prices of commodities contracts and all derivative instruments, including futures and options, in which underlying investment funds held by the Company may invest may be highly volatile. In addition, the Company is subject to the risk of the failure of any of the exchanges on which such investment funds trade, of their clearing houses and, in certain cases, of the counterparties with whom the trades are carried out.

The underlying investment funds in which the Company invests may purchase and sell (“write”) options on securities, currencies and commodities on a variety of commodities exchanges, securities exchanges and over-the-counter markets. The seller (“writer”) of a put option which is uncovered (i.e. the writer has a short position in the underlying security, currency or commodity) assumes the risk of an increase in the market price of the underlying security, currency or commodity above the sales price (in establishing the short position) of the underlying security, currency or commodity plus the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put

option assumes the risk of a decline in the market price of the underlying security, currency or commodity below the exercise price of the option. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, currency or commodity, the loss on the put will be offset in whole or in part by any gain on the underlying security, currency or commodity.

The writer of a call option which is covered (e.g. the writer holds the underlying security, currency or commodity) assumes the risk of decline in the market price of the underlying security, currency or commodity below the value of the underlying security, currency or commodity less the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security, currency or commodity above the exercise price of the option. The buyer of the call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, currency or commodity, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security, currency or commodity. In entering into a closing purchase transaction, the investment fund in which the Company invests may be subject to the risk of loss to the extent that the premium paid for entering into a closing purchase transaction exceeds the premium received when the option was written.

To the extent that the Company invests in underlying investment funds which engage in futures and options contract trading and the broker with whom such investment funds maintain accounts fails to segregate the fund's assets, the investment fund (and hence the Company) will be subject to a risk of loss in the event of the bankruptcy of the broker. In certain circumstances, where there is segregation, the investment fund concerned might be able to recover, even in respect of property specifically traceable to it, only a *pro rata* share of all property available for distribution to a bankrupt broker's customers.

In addition, to the extent that the Company offers or sells its Shares to US Persons and the Company is permitted to invest directly or indirectly in futures on futures markets, the rules and regulations of the US Commodity Futures Trading Commission ("CFTC") are implicated. In this instance, the Company may engage in futures and options contract trading to the extent that all necessary CFTC registrations or exemptions have been obtained. Such registrations or exemptions would not include review or approval by the CFTC of any offering document or the trading strategies of the Company.

### **Forward Trading**

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market traded by investment funds in which the Company may invest due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to the possible detriment of the investors in the relevant investment fund (and hence the Company). In respect of such trading, the relevant investment fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the investment fund (and hence the Company).

### **Currency**

The Company and the underlying investment funds in which it invests may invest a substantial portion of their assets in investment funds and/or assets denominated in currencies other than the US dollar, the base currency of account of the Company, and in other financial instruments, the price of which is determined with reference to currencies other than the US dollar. However, the Company values, and such investment funds may value, securities and other assets in US dollars. To the extent this investment is unhedged, the value of the Company's and any such investment fund's assets is likely to fluctuate with US dollar exchange rates as well as with price changes of the Company's and any such investment fund's investments in the various local markets and currencies. The Company and/or the relevant investment fund may utilise forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be conducted and, if conducted, will be effective.

## **Short Sales**

A short sale involves the sale of a security that the underlying investment fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the underlying investment fund must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited increase in the market price of the security and therefore a theoretically unlimited loss on the security sold short.

## **Leverage, Interest Rates and Margin**

The Company is, and the underlying investment funds in which the Company invests may be, empowered to borrow funds from brokerage firms and banks in order to increase the amount of capital available for investment and/or to fund redemptions (see, in relation to the Company, “INVESTMENT AND BORROWING POWERS – Leverage and Borrowing” on page 13 above). Consequently, the level of interest rates at which such borrowing can be made will affect the operating results of the Company and the underlying investment fund (and indirectly the Company). In addition, the relevant investment fund may in effect borrow funds through entry into repurchase agreements and may “leverage” its investment return with options, commodity futures contracts, swaps, forwards and other derivative instruments.

The use of borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the relevant investment fund’s margin accounts decline in value, the fund could be subject to a “margin call” and need to deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the relevant fund’s assets, the fund might not be able to liquidate assets quickly enough to pay off its margin debt. In addition, leveraged investment increases the loss to investors of any depreciation in value of investments (while potentially increasing any gains). In the futures markets, margin deposits are typically low. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses. For example, if at the time of purchase 10 per cent. of the price of a futures contract is deposited as margin, a 10 per cent. decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission.

The Company does not currently intend to borrow for any purpose other than on a temporary basis to fund redemptions or for other operational requirements and such borrowings will not normally exceed ten per cent. of the Net Asset Value of the Company. The Company may, however, wish to borrow for other purposes in the future (see “INVESTMENT AND BORROWING POWERS – Leverage and Borrowing” on page 13 above). Any such borrowing for purposes of leveraging in the Company’s investments in underlying investment funds will tend to exacerbate any depreciation in the value of the Company’s underlying investment and, taken together with leverage employed by underlying investment funds, could in adverse circumstances cause sudden and severe depreciation in the Company’s Net Asset Value.

## **Securities and Other Investments May Be Illiquid**

Certain investment positions held by the Company or the underlying investment funds in which it invests may be illiquid. Such investment funds may invest in securities of financially troubled companies, illiquid over-the-counter securities and non-publicly traded securities. Futures positions may be illiquid because, for example, some exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prevent the relevant fund from promptly liquidating unfavourable positions and subject the fund to substantial losses. In addition, the relevant investment fund may not be able to execute futures contract trades at favourable prices if little trading in the contracts involved is taking place. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

## **Hedging Transactions**

The Company and the investment funds in which the Company invests may utilise financial instruments such as forward contracts, currency options, caps and floors both for investment purposes and to seek to hedge

against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange rates and market interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions nor prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for such funds to hedge against an exchange rate or interest rate fluctuation that is generally anticipated if the Company or the relevant investment fund is not able to enter into a hedging transaction at a price sufficient to protect the Company or the relevant investment fund from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

While investment funds in which the Company invests may enter into such transactions to seek to reduce currency, exchange rate and interest rate risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the relevant funds and hence the Company. For a variety of reasons, the relevant funds' investment managers may not seek to establish (or may not otherwise obtain) a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the relevant fund from achieving the intended hedge or expose the relevant fund to risk of loss.

### **Trading in Indices, Financial Instruments and Currencies**

The underlying investment funds in which the Company invests may place an emphasis on trading indices, financial instruments and currencies. The effect of governmental intervention may be particularly significant at certain times in currency and financial instrument futures and options markets. Such intervention (as well as other factors) may cause all of these markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

### **Emerging Markets**

The underlying investment funds in which the Company may invest may themselves invest in emerging markets. Investment in emerging markets involves risk factors and special considerations which may not be typically associated with investing in more developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on the economies and markets of emerging countries. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the laws and regulations of emerging countries in which investment may be made, including expropriation, nationalisation or other confiscation, could result in loss to the relevant investment fund and, indirectly, the Company.

By comparison with more developed securities markets, most emerging countries' securities markets are comparatively small, less liquid and more volatile. In addition, settlement, clearing, safe custody and registration procedures may be underdeveloped, enhancing the risks of error, fraud or default. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of investor information or protection as would generally apply in more developed markets.

### **Investments in New Issues**

The underlying investment funds in which the Company may invest may themselves invest in initial public offerings of equity securities (so-called "New Issues"). When a member of the U.S. Financial Industry Regulatory Authority ("FINRA") is part of the underwriting syndicate for an initial public offering, the participation in the profits and losses of investments in New Issues by certain persons is subject to significant restrictions under FINRA rules. Specifically, the participation in the profits and losses of investments in New Issues by certain persons associated with broker-dealers and other financial-type accounts (called "restricted persons") is limited. The Company may be considered a restricted person for this purpose by the underlying investment funds in which it invests. In that event, the Company may not be able to participate in the profits and losses from the underlying investment funds' investments in New Issues to the same extent as it would if it were not considered a restricted person, which could adversely affect the Company's performance.

## **Amortisation of Organisational Expenses**

The Company's financial statements are prepared in accordance with International Financial Reporting Standards which do not permit the amortisation of organisational expenses. Notwithstanding this, the Company has and may, at the discretion of the Directors, amortise its organisational expenses over a period of time and if it does so, the financial statements may be qualified in this regard.

**The foregoing list of risk factors is not complete and the Company may be subject to additional risk factors not discussed above. Prospective Shareholders should consult with their own advisers before deciding to subscribe for Shares of the Company.**

## **CONFLICTS OF INTEREST**

The Investment Manager, the Administrator, the Custodian, any of their respective directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "Interested Party") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit earned from any such services. The Directors shall ensure that such parties shall at all times have due regard to their duties owed to the Company and where a conflict arises, they will endeavour to ensure that it is resolved fairly. For example, an Interested Party may acquire on behalf of clients investments in which the Company may invest. However, where the Investment Manager could allocate an investment between two or more funds or accounts which it manages or advises (including the Company's) or make a disposal of investments held by two or more such funds or accounts, it will act fairly as between the relevant funds or accounts in making such allocation or disposal, having regard to, *inter alia*, factors such as cash availability and portfolio balance.

The Company may acquire securities from or dispose of securities to any Interested Party or any investment fund or account advised or managed by any such person. An Interested Party may provide professional services to the Company (provided that no Interested Party shall act as auditor to the Company) or hold Shares and buy, hold and deal in any investments for their own account notwithstanding that similar investments may be held by the Company. An Interested Party may contract or enter into any financial or other transaction with any Shareholder or with any entity any of whose securities are held by or for the account of the Company, or be interested in any such contract or transaction. Furthermore, any Interested Party may receive commissions to which it or he is contractually entitled in relation to any sale or purchase of any investments of the Company effected by it or him for the account of the Company, provided that in each case the terms are no less beneficial to the Company than a transaction involving a disinterested party and any commission shall be in line with market practice.

In the event of a conflict of interest arising, the Directors will endeavour to ensure that it is resolved fairly.

## **COMPANY AND SHAREHOLDER TAXATION CONSIDERATIONS**

### **General**

The statements on taxation below are intended to be a general summary of certain Cayman Islands and United Kingdom tax consequences that may result to the Company and Shareholders. The statements relate to a Shareholder holding Shares as an investment (as opposed to an acquisition by a dealer) and are based on the law and practice in force in the relevant jurisdiction at the date of this document. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will endure indefinitely.

Prospective Shareholders should familiarise themselves with and, where appropriate, take advice on the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for, and the holding and realisation of, Shares in the places of their citizenship, residence and domicile. The tax consequences for each Shareholder of acquiring, holding, redeeming or disposing of Shares in the Company will depend upon the relevant laws of any jurisdiction to which the Shareholder is subject. Investors and prospective investors should seek their own professional advice as to this, as well as to any relevant exchange control or other laws and regulations.

The Company may be subject to local withholding or other income taxes in respect of income or gains derived from its investments in certain countries and underlying investments. Taxation law and practice and the levels and bases of and reliefs from taxation relating to the Company and to Shareholders may change from time to time.

### **Cayman Islands Taxes**

The Cayman Islands at present impose no taxes on income, profits, capital gains or appreciations of the Company. There are also currently no taxes imposed in the Cayman Islands on income, profits, capital gains or appreciations of the holders of the Shares nor any taxes on the holders of the Shares in the nature of estate duty, inheritance or capital transfer tax. Further, as an exempted company, the Company has obtained an undertaking from the Cayman Islands Government authorities that, for a period of twenty years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax on profit, income, capital gains or appreciations will apply to the Company and that, for the same period of twenty years, no taxes on profit, income, capital gains or appreciations nor any tax in the nature of estate duty or inheritance tax will be payable on the shares, debentures or other obligations of the Company.

### **Exchange Control**

There is at the date hereof no exchange control in the Cayman Islands.

### **United Kingdom**

#### **The Company**

The Directors intend that the affairs of the Company should be managed and conducted so that it does not become resident in the United Kingdom for United Kingdom taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom through a permanent establishment situated therein for United Kingdom taxation purposes, the Company will not be subject to United Kingdom corporation tax on income and capital gains arising to it. The Directors intend that the affairs of the Company are conducted so that no such permanent establishment will arise insofar as this is within their control, but it cannot be guaranteed that the conditions necessary to prevent any such permanent establishment coming into being will at all times be satisfied.

Interest and other income received by the Company which has a United Kingdom source may be subject to withholding taxes in the United Kingdom.

#### **Shareholders**

Subject to their personal circumstances, Shareholders resident in the United Kingdom for taxation purposes will be liable to United Kingdom income tax or corporation tax in respect of any dividends or other distributions of income by the Company, whether or not such distributions are reinvested.

Except in the case of a company owning directly or indirectly not less than ten (10) per cent of the voting share capital of the Company, no credit will be available against a Shareholder's United Kingdom taxation liability in respect of income distributions of the Company for any taxes suffered or paid by the Company on its own income.

Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 of the United Kingdom (the "Taxes Act") provides that if an investor who is resident or ordinarily resident in the United Kingdom for taxation purposes holds a "material interest" in an overseas company that constitutes an "offshore fund" and that company does not qualify as a "distributing fund" throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest (which may include, where applicable, redemption by the Company) will be taxed at the time of such sale, redemption or disposal as income and not as a capital gain. Shares will constitute "material interests" in an "offshore fund" for the purposes of those provisions of the Taxes Act.

The Directors currently intend that the Company will not seek to comply with the conditions necessary for it or any of the Classes of Shares to qualify as a distributing fund. Accordingly, Shareholders who are resident or ordinarily resident in the United Kingdom for taxation purposes may be liable to United Kingdom income

taxation in respect of gains arising from the sale, redemption or other disposal of their Shares. Such gains may remain taxable notwithstanding any general or specific United Kingdom capital gains tax exemption or allowance available to an investor and may result in certain investors incurring a proportionately greater charge to United Kingdom taxation.

Proposed changes to the taxation treatment of offshore funds may result in the replacement of distributing funds status with a new concept of a 'reporting' fund. Powers introduced in the Finance Bill 2008 enable such proposals to be implemented, although the details of the proposed changes and the proposed date of implementation remain to be finalised.

A Shareholder that is resident or ordinarily resident in the United Kingdom and that subsequent to subscription wishes to convert Shares of one particular Class into Shares of another in accordance with the procedures outlined in "Exchanges" above should note that such a conversion may give rise to a disposal triggering a potential liability to income tax depending upon the value of the Shareholding on conversion.

Chapter II of Part IV of the Finance Act 1996 ("FA 1996") provides that, if at any time in an accounting period a corporate investor within the charge to United Kingdom corporation tax holds a material interest in an offshore fund within the meaning of the relevant provisions of the Taxes Act, and there is a time in that period when the fund fails to satisfy the "non-qualifying investments test", the material interest held by such a corporate investor will be treated for the accounting period as if it were rights under a creditor relationship for the purposes of the rules relating to the taxation of most corporate debt contained in FA 1996 (the "Corporate Debt Regime"). The Shares will (as explained above) constitute material interests in an offshore fund. In circumstances where the test is not so satisfied (for example, where the Company invests in cash, securities or debt instruments or offshore funds that themselves do not meet the "non-qualifying investment test" and the market value of such investments exceeds 60 per cent. of the market value of all its investments), the Shares will be treated for corporation tax purposes as within the Corporate Debt Regime. As a consequence, where the test is not met, all returns on the Shares in respect of each corporate investor's accounting period during which the test is not met (including gains, profits and deficits and exchange gains and losses) will be taxed or relieved as an income receipt or expense on a mark to market basis. Accordingly, a corporate investor in the Company may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares). The provisions relating to non distributing funds (outlined above) would not then apply to such corporate Shareholders and the effect of those provisions relating to holdings in controlled foreign companies (outlined below) would be substantially mitigated.

The attention of individuals ordinarily resident in the United Kingdom for taxation purposes is drawn to provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 under which the income accruing to the Company may be attributed to such a Shareholder and may render them liable to taxation in respect of undistributed income and profits of the Company. This legislation will, however, not apply if such a Shareholder can satisfy HM Revenue & Customs that either:-

- (i) it would not be reasonable to draw the conclusion from all the circumstances of the case, that the purpose of avoiding liability to taxation was the purpose, or one of the purposes, for which the relevant transactions or any of them were effected; or
- (ii) all the relevant transactions are genuine commercial transactions and it would not be reasonable to draw the conclusion, from all the circumstances of the case, that any one or more of the transactions was more than incidentally designed for the purpose of avoiding liability to taxation.

Chapter IV of Part XVII of the Taxes Act subjects United Kingdom resident companies to tax on the profits of companies not so resident in which they have an interest. The provisions, broadly, affect United Kingdom resident companies which hold, alone or together with certain other associated persons, Shares which confer a right to at least 25 per cent. of the profits of a non-resident company where that company is controlled by persons who are resident in the United Kingdom and is subject to a lower level of taxation in its territory of residence. The legislation provides for certain exceptions, including an exception for a company which implements an acceptable distribution policy (as defined in the legislation). As the Company may not make significant distributions, this legislation may be relevant to certain corporate Shareholders. The legislation is not directed towards the taxation of capital gains.

The attention of persons resident or ordinarily resident in the United Kingdom for taxation purposes (and who, if individuals, are also domiciled in the United Kingdom for those purposes) is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 (“section 13”). Section 13 applies to a “participator” in the Company for United Kingdom taxation purposes (which term includes a Shareholder) if, at any time when any gain accrues to the Company which constitutes a chargeable gain for those purposes, at the same time the Company is itself controlled by a sufficiently small number of persons so as to render the Company a body corporate that would, were it to have been resident in the United Kingdom for taxation purposes, be a “close” company for those purposes. The provisions of section 13 could, if applied, result in any such person who is a “participator” in the Company being treated for the purposes of United Kingdom taxation of chargeable gains as if a part of any chargeable gain accruing to the Company had accrued to that Shareholder directly, that part being equal to the proportion of the gain that corresponds on a just and reasonable basis to that Shareholder’s proportionate interest in the Company as a “participator”. No liability under section 13 could be incurred by such a Shareholder however, where such proportion does not exceed one-tenth of the gain. Draft legislation has been released by HM Revenue & Customs which would, if enacted, lead to an extension of this charge to UK resident or ordinarily resident individuals domiciled outside the UK in respect of gains relating to UK situate assets of the Company, or in respect of gains relating to non-UK situate assets if such gains are remitted to the UK.

### **The European Union Savings Directive**

As the Company is not a UCITS authorised in accordance with European Union Directive 81/611/EEC (as amended), is not licensed as a mutual fund under section 5 of the Cayman Islands Mutual Funds Law (2003 Revision) nor may otherwise be regarded as a UCITS equivalent under the laws of the relevant jurisdictions, the European Union Savings Directive 2003/48/EC (the “Directive”) should not apply to payments made in respect of Shares by the Company or the Administrator. Where the Directive applies to an undertaking for collective investment which has the relevant percentage of its assets invested in debt instruments as defined in the Directive, a paying agent in a Member State such as the Administrator is required to provide to its home tax authorities details of payments of interest or, (as relevant to the Company) deemed interest paid by the paying agent on to or for the benefit of an individual resident in another Member State which will be shared with the tax authorities of that other Member State.

## **CONSTITUTION OF THE COMPANY**

The Memorandum and Articles of Association of the Company comprise the Company’s constitution and contain, *inter alia*, provisions to the following effect. The following summary does not purport to be an exhaustive summary of the provisions of these documents which are available for inspection at the Company’s registered office. Shareholders will be deemed to have knowledge of the provisions of the Memorandum and Articles of Association.

### **1. Memorandum of Association**

The Memorandum of Association of the Company provides in clause 3 that the Company’s principal objects are unrestricted (except as prohibited by law).

### **2. Articles of Association**

#### **Issue of Shares**

Subject as provided in the Articles, the Prospectus or the Law, the Shares shall be at the disposal of the Directors, who in their absolute discretion may issue, allot, grant options over, or otherwise dispose of, the same to such persons on such terms and in such manner as they may think fit, save that no Share shall be issued at a discount, except in accordance with the Law. Fractional Shares may be issued up to four decimal places or such other number of decimal places as the Directors may determine. The Directors may in their absolute discretion refuse to issue any Shares to any subscriber.

#### **Alterations of Share Capital**

Subject to the provisions of the Law, the Company may by ordinary resolution increase the share capital by such sum, to be divided into new Shares of such amount, as the resolution shall prescribe. The Company may

also by ordinary resolution consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. The Company may also by ordinary resolution subdivide its existing Shares, or any of them, into Shares of a smaller amount than is fixed by the Memorandum of Association, subject to the provisions of the Law.

Subject to the provisions of the Law, the Company may, by special resolution and subject to approval by the Court, reduce its share capital or any capital redemption reserve or share premium account and may also purchase its own Shares provided that the manner of such purchase has first been authorised by the Company by ordinary resolution.

### **Variation of Class Rights**

The rights attaching to any Share class or Series (unless otherwise provided by the terms of issue of that Share class or Series) may be varied with the consent in writing of two thirds of such holders of the Shares of that class or Series or with the sanction of a resolution passed by a two thirds majority of votes cast at a general meeting of the holders of the Shares of that class or Series. To every such separate general meeting, the provisions of the Articles applying to general meetings shall apply but so that the necessary quorum shall be any one or more persons holding or representing by proxy not less than one third of the issued Shares of the class or Series and that any holder of Shares of the class or series present in person or by proxy may demand a poll. If within half-an-hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week, at the same time and place and, if at the adjourned meeting a quorum is not present within half-an-hour from the time appointed for the meeting, the Shareholders of the class present, in person or by proxy, shall be a quorum. To the fullest extent permitted by law, a variation to the investment objectives, policy or restrictions applicable to the Company represented by a class of Shares shall not be deemed to be a variation of class rights.

### **Founder Shares**

The Founder Shares shall confer no right to participate in the profits or assets of the Company other than the return of the nominal value thereof. The Founder Shares carry no voting rights except where no Shares are in issue.

### **Redeemable Shares**

The Shares shall be redeemable voting preference shares. Shares shall be issued as Shares of the relevant classes or series designated as determined by the Directors from time to time, each class or Series representing the capital contribution made by the holders of Shares of the relevant class or Series. Shares of each class or Series shall rank equally in priority and preference save as expressly provided in the Articles. The Directors may in their discretion from time to time determine to issue additional classes or Series of Shares with different rights. This may include, without limitation, Shares of a class or Series denominated in a currency other than the base currency of account of the Company and/or Shares of a class or Series to which different initial, management or other fees or charges will apply in respect of the Shares themselves and/or the assets of the Company attributable to the respective classes or Series of Shares. Separate records will be maintained in the books of the Company in respect of each such class or Series but the capital contributions made in respect of each such class or series (and the investments made with such contributions) may, at the discretion of the Directors, be maintained in the same account as for other existing classes or Series of Shares of the Company (save, in respect of Shares denominated in different currencies to the base currency of account of the Company, for transactions in investments intended to enhance or protect the value of the relevant class or Series with regard to changes in exchange rates between the currency of denomination of the class or Series and the base currency of account of the Company).

Any dividend payable to Shareholders which remains unclaimed for six years after the dividend payment date shall be forfeited and shall revert to the Company.

The Directors may at their discretion determine to issue a class(es) or series of Shares which may only be acquired by the Investment Manager and/or its associates, their respective directors, employees or agents. Any such class(es) or series may be issued on such terms (including as to management or other fees) as the Directors in their discretion may determine and any such Shares may be issued in consideration of the waiver

of fees payable by the Company to the subscribers of the Shares or their employees, affiliates or associates or by way of consideration for services provided.

The Shareholders shall be entitled to receive notice of, and to attend and to vote at, any general meeting of the Company.

On a return of assets on liquidation or otherwise, the assets of the Company available for distribution among the Shareholders shall be applied first in repaying the nominal amount thereof in preference to the repayment of such nominal amount of the Founder Shares, and the surplus assets of the Company attributable to each class available for distribution shall be distributed among the holders of the Shares of the relevant class *pro rata*. The Shares shall entitle the holders thereof to any dividends that may be declared in respect of their Shares of the relevant class or series.

No Shares of any class or series shall be issued to an ineligible investor so designated by the Directors in respect of such class or series and the Directors shall have power to impose such further restrictions on the Shares of any class or series as they may think necessary for the purpose of ensuring that no Shares of any class or series are acquired or held by any person in breach of the Articles, the Law or the applicable requirements of any country or governmental authority.

Subject to the provisions of and the restrictions contained in this Prospectus, a holder of the Shares of a class or series shall be entitled to redeem all or any of such Shares on any Dealing Day or such other day as the Directors may determine with reference to such class or series of Shares by such number of days' prior written notice to the Company as stipulated in the prospectus of the Company from time to time and otherwise in such form given in such manner as the Directors shall from time to time determine but no Shares of a class or series shall be redeemed whilst the calculation of the Net Asset Value of the assets of the Company attributable to Shares of the relevant class or series is suspended.

The Directors may elect in their absolute discretion, but with the prior approval of the relevant Shareholder(s), to accept a subscription payment or effect a redemption payment to any or all Shareholders of a class or series, either in whole or in part, *in specie* or in kind rather than in cash, in which event the Directors shall use the same valuation procedures used in determining the Net Asset Value of Shares of the relevant class or series to determine the value to be attributed to the relevant securities to be transferred or assigned; and the redeeming Shareholders shall receive securities of a value equal to the redemption payment to which they would otherwise be entitled and shall be responsible for all custody and other costs involved in changing the ownership of the relevant securities from the Company to the redeeming Shareholders and ongoing custody costs. Any such distributions *in specie* or in kind should not materially prejudice the interests of the remaining Shareholders.

The Directors may make such further regulations concerning the redemption of Shares as they shall from time to time deem necessary provided that any such future regulations will be made in accordance with the policy of the Irish Stock Exchange for so long as Shares are listed on the Irish Stock Exchange.

The Directors may determine from time to time with respect to the Shares of a class or series the minimum aggregate number of Shares to be subscribed for during the initial offer period before any such Shares are issued, the minimum number of such Shares to be issued to each prospective Shareholder, the minimum number of Shares capable of being redeemed by any Shareholder on any applicable Dealing Day or such other day as the Directors may determine (or an amount in respect thereof) and the minimum number of Shares to be otherwise issued to or held on an ongoing basis after any redemptions by each Shareholder.

### **Transfer of Shares**

Shares of any class or series may be transferred by a form of transfer in any usual or common form approved by the Directors in their discretion. Share transfers shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the Shares of the relevant class or series until the name of the transferee is entered into the Register of Shareholders in respect thereof.

The Directors shall decline to register any transfer of Shares of any class or series to an ineligible investor so designated by the Directors as set out in this Prospectus of the Company. The Directors may, in their absolute discretion, decline to register any transfer of Shares of a class or series to a Restricted Person (as referred to under "SUBSCRIBING FOR SHARES – Eligible Investors" on page 20 above) or if such holding

would result in the transferor or the transferee holding less than the minimum residual holding of Shares (as referred to under “REDEEMING SHARES – Minimum Redemption Amounts” on pages 21 to 22 above. The Directors will decline to register a transfer of Shares until the transferee has sent to the Administrator a duly completed application form together with evidence of its identity to the satisfaction of the Administrator.

If the Directors refuse to register a transfer of Shares of any class or series they shall, within fourteen days after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

### **Compulsory Redemption of Shares**

The Company shall be entitled to compulsorily redeem all or any Shares of a class or series at such time, in such number and in such manner as the Directors shall from time to time determine.

Without prejudice to the generality of the foregoing, the Directors are entitled to compulsorily redeem Shares of any class or series owned directly or beneficially by any person or persons who or which, by virtue of the holding concerned, gives rise to a breach of any applicable laws or requirement in any jurisdiction or may, either alone or together with other Shareholders, in the sole and conclusive opinion of the Directors:-

- (i) prejudice the tax status or residence of the Company or its Shareholders as a whole; or
- (ii) cause the Company or its Shareholders as a whole to suffer any legal, pecuniary, fiscal, regulatory or material administrative disadvantage; or
- (iii) cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply; or
- (iv) where the holding by a Shareholder in any class of Shares falls below the minimum level prescribed by the Directors; or
- (v) where the aggregate amount invested in the Company or the small number of Shareholders with outstanding Shares of any class or series at any time does not justify or support the continued trading and existence of either the Shares of the relevant class or series as a class or series of the Company.

### **General Meetings**

The Directors may, whenever they think fit, convene an extraordinary general meeting. If at any time there are not sufficient Directors capable of acting to form a quorum, any Director or any one or more Shareholders may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors. The Directors shall, upon the receipt of the requisition expressing the object of the meeting in writing from any one or more Shareholders holding ten (10) per cent. or more of the Shares entitled to vote, convene an extraordinary general meeting within twenty-one days from the date of delivery of the requisition being left at the registered office of the Company. Failing that, the meeting shall be convened by any of the requisitionists in the Cayman Islands subject to the Company’s Articles as to notice.

At least seven days’ notice of the meeting is required to be given to such persons as are entitled to vote or may otherwise be entitled under the Articles to receive such notices, but with the consent of all the Shareholders entitled to receive notice, that meeting may be convened by shorter notice and in such manner as those Shareholders think fit.

No business shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. One or more Shareholders holding in aggregate not less than one third of the total issued Share capital of the Company in person or by proxy and entitled to vote shall be a quorum. If within half an hour from the time appointed for the meeting a quorum is not present the meeting, if convened upon the requisition of Shareholders, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Shareholder or Shareholders present in person or by proxy shall be a quorum.

An ordinary resolution may be passed by a majority vote of Shareholders entitled to vote, present in person or by proxy at the meeting. A special resolution requires a two thirds majority vote of Shareholders entitled to vote, present in person or by proxy at the meeting. An ordinary or special resolution may be passed by unanimous written resolution.

On a show of hands, every Shareholder present in person or by proxy and entitled to vote shall have one vote. On a poll, every such Shareholder entitled to vote shall have one vote for each Share of which he is the holder. On the holding of a poll, a Shareholder need not cast all the votes he uses in the same way.

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.

On a poll, votes may be given either personally or by proxy. The instrument appointing a proxy shall be in the form set out in the Articles or such other form as the Directors may determine and shall be deposited at the registered office of the Company or at such other place as is specified for that purpose in the notice convening the meeting no later than 24 hours prior to the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. In default, the instrument of proxy shall not be treated as valid provided that the chairman of the meeting may in his discretion accept an instrument of proxy sent by telex or telefax upon receipt of telex or telefax confirmation that the signed original thereof has been sent.

## **Directors**

The number of Directors shall not be less than two, nor, unless the Company in general meeting may otherwise determine, more than ten. The Company may by ordinary resolution remove and appoint a Director. A Director may appoint an alternate to act on his behalf and such alternate shall count towards a quorum.

The Company shall pay to the Directors such annual remuneration for acting as Directors of the Company as they may from time to time agree. The Directors shall be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or any committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination of partly one such method and partly the other.

There is no shareholding or age limit qualification for Directors.

The business of the Company shall be managed by the Directors outside the United Kingdom and the Directors may pay all expenses incurred in setting up and registering the Company and may exercise all such powers of the Company as are not, by the Law or the Articles, required to be exercised by the Company in general meeting. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge the Company's undertaking and/or its assets save that the maximum permitted value of borrowings may not exceed 50 per cent. of the gross asset value of the Company. The Directors shall ensure that the Company shall not carry on business in the United Kingdom or have a place of business there.

The Directors may meet together (either within or without the Cayman Islands but outside of the United Kingdom) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman shall not have a second or casting vote. A Director may, at any time, summon a meeting of Directors by at least five days' notice in writing to every Director which notice shall set forth the general nature of the business to be considered provided however that notice may be waived by all the Directors (or their alternates) either at, before or after the meeting and provided further that notice or waiver thereof may be given by telex or telefax.

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed by the Directors, shall be two Directors or their alternates which shall be persons who are not resident in the United Kingdom.

No Director shall be disqualified from the office of Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested be or be liable to be avoided; nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of any fiduciary relationship thereby established. A Director shall be counted in the quorum of any relevant meeting which he attends and shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid provided, however, that the nature of the interest of any Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon and a general notice that a Director is a shareholder of any specified firm or company and/or is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure and after such general notice, it shall not be necessary to give special notice relating to any particular transaction.

All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

### **Notices**

A notice may be given by the Company to any Shareholder either personally or by sending it by post, telex or telefax to him at his address, or (if he has no registered address) to the address, if any, supplied by him to the Company for the giving of notices to him.

Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice (by airmail if available) and to have been effected, in the case of a notice of a meeting, at the expiration of three days after it was posted.

Where a notice is sent by telex or telefax, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through the appropriate transmitting medium and to have been effected on the day the same is sent. Notice of every general meeting shall be given to every Shareholder entitled to vote except those Shareholders entitled to vote who (having no registered address) have not supplied to the Company an address for the giving of notices to them. No other persons shall be entitled to receive notices of general meetings.

A notice may be given by the Company to the joint holders of record of a Share by giving the notice to the joint holder first named on the Register of Shareholders in respect of the Share.

### **Winding Up**

If the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Law, divide amongst the relevant Shareholders, *in specie* or in kind, the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any property to be divided.

### **Indemnity**

Every Director and officer for the time being of the Company or any trustee for the time being acting in relation to the affairs of the Company and their representatives, heirs, executors, administrators, personal representatives or successors or assigns shall, in the absence of wilful neglect or default, be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay, all costs, losses and expenses (including travelling expenses) which any such Director, officer or trustee may incur or become liable in respect of or by reason of any contract entered into, or act or thing done by him as such officer or servant, or in any way in discharge of his duties. The amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the Shareholders over all other claims. No such Director, officer or trustee shall be liable or answerable for the acts, receipts, neglects or defaults of any other Director, officer or trustee or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested or for any

loss of any of the monies of the Company which shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any monies, securities or effects shall be deposited, or for any loss, damage or misfortune whatever which shall happen in the execution of the duties of his respective office or trust or in relation thereof unless the same happen through his own wilful neglect or default.

## GENERAL INFORMATION

### 1. The Company

- (a) The Company was incorporated on 19 August 2005 (registered number 153693) in the Cayman Islands under the provisions of the Law, as an exempted company with limited liability under the name of Absolute Focus Limited. The Company changed its name from Absolute Focus Limited to Absolute Focus Fund Limited on 24 August 2005.
- (b) Class A, Class B and Class C Shares of the Company were admitted to the Official List of the Irish Stock Exchange on 1st September 2005.
- (c) The Company will comply with The Mutual Funds Law of the Cayman Islands by being registered under that law. The Company is obliged to file its audited accounts with the Cayman Islands Monetary Authority within six months of its financial year end. The Company is also obliged within twenty one (21) days to register any changes in the particulars filed with the Cayman Islands Monetary Authority.
- (d) The Founder Shares were taken up by the subscriber to the Memorandum of Association in order that the Company be incorporated and have been transferred to Absolute Fund Management Limited. The Founder Shares confer the right to vote at general meetings of the Company only when no Shares are in issue and give the rights in the winding up of the Company as set out under “CONSTITUTION OF THE COMPANY – Winding Up” on page 40 above. They shall confer no other right to participate in the profits or assets of the Company. The Founder Shares have been issued solely to comply with Cayman Islands legal requirements to ensure that some shares remain in issue notwithstanding the possible redemption of all of the Shares of each class or series.
- (e) No Shares have preference or pre-emptive rights. There are no outstanding options or, save as disclosed herein, any special rights relating to any Shares. All Shares participate equally in the net assets of their respective class or series on liquidation and in dividends and other distributions of their class or series as declared.
- (f) The authorised share capital of the Company is US\$50,100 divided into 50,000,000 Shares of US\$0.001 nominal value each and 100 Founder Shares of US\$1.00 each.

### 2. Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company and are, or may be, material. They each contain limitations of liability and indemnities operating in favour of parties other than the Company in the absence of any such party’s fraud, negligence or wilful default:

- (i) Investment Management Agreement
  - (a) By an agreement (the “Investment Management Agreement”) dated 25 August 2005 between the Company and the Investment Manager, the Investment Manager has agreed to act as Investment Manager of the Company. It has also agreed to act as distribution agent of the Shares of the Company.
  - (b) Details of the fees payable to the Investment Manager, are set out in “FEES AND EXPENSES – Investment Manager’s Fees and Expenses” on pages 17 to 18 above.
  - (c) The Investment Management Agreement may be terminated by either party on not less than six months’ notice in writing to expire on or at any time after the second

- (d) The Investment Manager is indemnified by the Company from and against any and all costs, charges, liabilities and expenses (other than those resulting from fraud, negligence, or wilful default on the part of the Investment Manager or of any delegate, employee or agent) which may be incurred by the Investment Manager in performing its obligations under the Investment Management Agreement.
- (ii) Custodian Agreement
    - (a) By an agreement (the “Custodian Agreement”) dated 26 August 2005, between the Company and the Custodian, the Custodian has agreed to act as custodian of the Company’s monies and assets. The Custodian is entitled to appoint Sub-custodians for the safe custody of the Company’s assets.
    - (b) Details of the fees payable to the Custodian are set out under “FEES AND EXPENSES – Custodian’s Fees and Expenses” on page 18 above.
    - (c) The Custodian Agreement may be terminated by either party on not less than 90 days’ written notice or earlier in certain circumstances specified in the Custodian Agreement.
    - (d) The Custodian is indemnified and held harmless against actions, proceedings, claims, costs, demands and expenses which may be brought against, suffered or incurred by the Custodian by reason of its performance or non-performance of its obligations and duties under the terms of the Custodian Agreement otherwise than as a result of its fraud, wilful default or negligence.
  - (iii) Administration Agreement
    - (a) By an agreement (the “Administration Agreement”) dated 26 August 2005, between the Company and the Administrator, the Administrator will act as Administrator, Secretary and Registrar to the Company.
    - (b) Details of the fees payable to the Administrator are set out under “FEES AND EXPENSES – Administrator’s Fees and Expenses” on page 18 above.
    - (c) The Administration Agreement may be terminated by either party on not less than 90 days’ notice or earlier in certain circumstances specified in the Administration Agreement.
    - (d) The Administrator is indemnified and held harmless against actions, proceedings, claims, costs, demands and expenses which may be brought against, suffered or incurred by the Administrator by reason of its performance or non-performance of its obligations and duties under the terms of the Administration Agreement otherwise than as a result of its fraud, wilful default or negligence.

### **3. Definitions of “US Person”, “US Taxpayer” and “Benefit Plan Investor”**

#### *“US Person”*

A “US Person” for purposes of this Prospectus is a person who is in either of the following two categories: (a) a person included in the definition of “US person” under Rule 902 of Regulation S under the US Securities Act of 1933, as amended (“1933 Act”), or (b) a person excluded from the definition of a “Non-United States person” as used in CFTC Rule 4.7. For the avoidance of doubt, a person is excluded from this definition of US Person only if he or it does not satisfy any of the definitions of “US person” in Rule 902 and qualifies as a “Non-United States person” under CFTC Rule 4.7.

“US person” under Rule 902 includes the following:

- (i) any natural person resident in the United States;
- (ii) any partnership or corporation organised or incorporated under the laws of the United States;
- (iii) any estate of which any executor or administrator is a US person;
- (iv) any trust of which any trustee is a US person;
- (v) any agency or branch of a non-US entity located in the United States;
- (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US person;
- (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States; and
- (viii) any partnership or corporation if:-
  - (B) organised or incorporated under the laws of any non-US jurisdiction; and
  - (C) formed by a US person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the 1933 Act) who are not natural persons, estates or trusts.

Notwithstanding the preceding paragraph, “US person” under Rule 902 does not include: (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a US person, if (A) an executor or administrator of the estate who is not a US person has sole or shared investment discretion with respect to the assets of the estate, and (B) the estate is governed by non-United States law; (iii) any trust of which any professional fiduciary acting as trustee is a US person if a trustee who is not a US person has sole or shared investment discretion with respect to the trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a US person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country; (v) any agency or branch of a US person located outside the United States if (A) the agency or branch operates for valid business reasons, and (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) certain international organisations as specified in Rule 902(k)(2)(vi) of Regulation S under the 1933 Act.

In addition, a discretionary or similar account managed or held for the benefit of a US person as defined above will be treated as a US person, irrespective of whether the discretion is exercised within or outside the United States.

CFTC Rule 4.7 currently provides in relevant part that the following persons are considered “Non-United States persons”:-

- (1) a natural person who is not a resident of the United States or an enclave of the US government, its agencies or instrumentalities;
- (2) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-US jurisdiction and which has its principal place of business in a non-US jurisdiction;
- (3) an estate or trust, the income of which is not subject to United States income tax regardless of source;
- (4) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons (as defined in

CFTC Rule 4.7(a)(2) or (3)) represent in the aggregate less than 10 per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being Non-United States persons; or

- (5) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

An investor who is not a US Person may nevertheless be considered a "US Taxpayer" under US federal income tax laws. For example, an individual who is a US citizen residing outside of the United States is not a US Person but is a "US Taxpayer". Such an investor should consult a tax advisor regarding an investment in the Company.

*"US Taxpayer"*

"US Taxpayer" includes a US citizen or resident alien of the United States (as defined for United States federal income tax purposes); any entity treated as a partnership or corporation for US tax purposes that is created or organised in, or under the laws of, the United States or any state thereof (including the District of Columbia); any other partnership that is treated as a US Taxpayer under US Treasury Department regulations; any estate, the income of which is subject to US income taxation regardless of source; and any trust over whose administration a court within the United States has primary supervision and all substantial decisions of which are under the control of one or more US fiduciaries. Persons who have lost their US citizenship and who live outside the United States may nonetheless, in some circumstances, be treated as US Taxpayers.

*"Benefit Plan Investor"*

"Benefit Plan Investor" is used as defined in US Department of Labor ("DOL") Regulation 29 C.F.R. §2510.3-101 and Section 3(42) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA") (collectively, the "Plan Asset Rule"), and includes (i) any employee benefit plan subject to Part 4 of Title I of ERISA; (ii) any plan to which Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), applies (which includes a trust described in Code Section 401(a) that is exempt from tax under Code Section 501(a), a plan described in Code Section 403(a), an individual retirement account or annuity described in Code Section 408 or 408A, a medical savings account described in Code Section 220(d), a health savings account described in Code Section 223(d) and an education savings account described in Code Section 530); and (iii) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity (generally because 25 per cent. or more of a class of equity interests in the entity is owned by plans). An entity described in (iii) immediately above will be considered to hold plan assets only to the extent of the percentage of the equity interests in the entity held by Benefit Plan Investors. Benefit Plan Investors also include that portion of any insurance company's general account assets that are considered "plan assets" and (except if the entity is an investment company registered under the 1940 Act) also include assets of any insurance company separate account or bank common or collective trust in which plans invest.

#### **4. Directors, Promoters and Interests**

- (a) There are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed.
- (b) Fees, of up to \$15,000 per annum, may be paid to each Director for acting as such together with their out-of-pocket expenses. Directors may assign their fees to their employers. Randall Dux, Scott Elphinstone, William Messer and Andrew Wheeler have waived receipt of their annual fee, Jeremy Svejdar and Edward Charlton will each receive a fee of \$2,500 per annum.
- (c) As at 31 May 2008 Mr. Dux held no Shares in the Company directly, however, Five Continents Bank Corporation, of which he is a director, held 74,889.74 Class A Shares. On the same date Mr Wheeler held 731 Class B Shares.

- (d) Save as disclosed in paragraph (f) below in this section 4., no Director nor any connected person has any interest direct or indirect, in the share capital of the Company.
- (e) Save as disclosed in paragraph (f) below in this Section 4., no Director has any interest, direct or indirect, in the promotion of, or in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company. No Director is materially interested in any contract or arrangement subsisting at the date thereof which is unusual in its nature or significant to the business of the Company.
- (f) Jeremy Svejdar is a senior relationship manager with Northern Trust International Fund Administration Services (Ireland) Limited, the Administrator. Andrew Wheeler is a director/officer of the Investment Manager. Randall Dux is a director of Five Continents Bank Corporation which currently owns 75 per cent. of the outstanding share capital of Absolute Fund Management Limited and is an investor in the Company.

## **5. Regulation of the Company**

The Company is a mutual fund as defined in the Mutual Funds Law of the Cayman Islands and is registered under such law. Such registration does not imply that the Monetary Authority of the Cayman Islands (the "Monetary Authority") or any other regulatory authority in the Cayman Islands has passed upon or approved this Prospectus or the offering of the Shares hereunder. To effect the required registration the Company is required to provide to the Monetary Authority a summary of the terms of the offering of the Shares and to provide details of the Company's various agents. Audited financial statements are required to be filed annually. The Company must notify the Monetary Authority of any changes in the details of the summary of the terms of the offering and any change in the Company's agents as filed on initial registration.

The Monetary Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is liquidating its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Monetary Authority include, *inter alia*, the power to require the substitution of Directors, to appoint a person to advise the Company on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Company. There are other remedies available to the Monetary Authority including the ability to apply to the court or approval of other actions.

## **6. Reports and Financial Statements**

The annual accounting period of the Company ends on 30 September in each year and the first accounting period ended on 30 September 2006. Annual audited financial statements will be sent to Shareholders and the Irish Stock Exchange within six months of the period to which they relate. Unless and until otherwise determined by the Directors, the Company will follow International Generally Accepted Accounting Principles (in this regard please see the risk factor on Amortisation of Organisational Expenses set out on page 31 above).

Since the date of incorporation, no accounts have been made up and no dividends have been declared.

## **7. Meetings and Notices**

General meetings of Shareholders will be held in the Cayman Islands unless otherwise notified and will be convened by not less than 7 days notice given by airmail letter sent to the registered address of each Shareholder.

## **8. General**

- (a) No share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option. As of the date of this Prospectus the Company does not have any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptance (other than normal trade bills) or acceptance credits, obligations under finance leases, hire purchase commitments, guarantees or other contingent liabilities except for: (i) any charges or debentures in favour of the Custodian under the Custodian Agreement, and (ii) any overdraft, lending or trading facilities or other

borrowings or indebtedness granted by the Custodian or any other third party in favour of the Company.

- (b) Save as disclosed herein, no share or loan capital of the Company has been issued and no such share or loan capital is proposed to be issued.
- (c) Save as disclosed in this Prospectus, no commission, discounts, brokerage or other special terms have been granted by the Company in relation to Shares issued or to be issued by the Company, on any issue or sale of Shares. The Investment Manager may, out of its own funds or out of the initial subscription or management charges, pay commissions on applications received through brokers and other professional agents or grant discounts.
- (d) The Company does not have, nor has it had since its incorporation, any employees. The Company does not have a place of business in the United Kingdom.
- (e) A United Kingdom investor who enters into an investment agreement to acquire Shares in response to this document will not have the right to cancel that agreement under any cancellation rules made by the Financial Services Authority in the United Kingdom. Such agreement will be binding upon acceptance of the application by the Company.
- (f) Most, if not all, of the protections provided by the United Kingdom regulatory structure will not apply. The rights of Shareholders in the Company may not be protected by the investors' compensation scheme established in the United Kingdom.
- (g) Any investor wishing to make a complaint regarding any aspect of the Company or its operation may do so directly to the Company.
- (h) The Company is not engaged in any litigation or arbitration and no litigation or claims are known to the Directors to be pending or threatened against the Company since incorporation.

## **9. Documents for Inspection**

Copies of the following documents are available for inspection at the registered office of the Company in the Cayman Islands and the offices of the Administrator in Dublin during usual business hours on any Business Day:—

- (a) the Memorandum and Articles of Association of the Company;
- (b) the material contracts referred to under “GENERAL INFORMATION – 2. Material Contracts” on pages 41 to 42 above; and
- (c) the Companies Law and The Mutual Funds Law of the Cayman Islands.

Dated: 16 June 2008