

PROSPECTUS

A copy of this document, which comprises a prospectus relating to HSBC Global Absolute Limited (the “Company”) prepared in accordance with the Prospectus Rules of the FSA made under Section 73A of the Financial Services and Markets Act 2000, has been delivered to the FSA in accordance with the Prospectus Rules.

All of the US Dollar Shares and Sterling Hedged Shares in issue as at the date of this document have been admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities and have been admitted to the official list of the Channel Islands Stock Exchange.

Each of the Directors of the Company, whose names appear on page 19 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, 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 such information.

Application has been made to the FSA for all of the US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares to be issued pursuant to the Roll Over Issue, and will be made for all US Dollar Shares, Sterling Hedged Shares and, if Euro Hedged Shares are issued pursuant to the Roll Over Issue, Euro Hedged Shares to be issued pursuant to the Issue, to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities (“Admission”). Application has also been made to the Channel Islands Stock Exchange for all of the US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares in the Company to be issued pursuant to the Roll Over Issue and will be made for all US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares to be issued pursuant to the Issue, to be admitted to the official list of the Channel Islands Stock Exchange. It is expected that such admissions will become effective and that dealings in the US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares will commence on 29 October 2008 (in respect of Shares issued pursuant to the Roll Over Issue) and by the third Business Day following each allotment of Shares (in respect of Shares issued pursuant to the Issue).

This document includes particulars given in compliance with the Listing Rules and the Prospectus Rules for the purposes of giving information with regard to the Company.

HSBC Global Absolute Limited

(a closed-ended company incorporated in Guernsey and registered with number 38660)

Roll Over Issue of US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares

Issue of US Dollar Shares, Sterling Hedged Shares and, if issued under the Roll Over Issue, Euro Hedged Shares

Sponsored by

Landsbanki Securities (UK) Limited

Landsbanki Securities (UK) Limited (“Landsbanki”), which is authorised and regulated by the FSA, is acting for the Company and for no one else in connection with the Issue and Rollover Issue and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Landsbanki or for affording advice in relation to the contents of this document or on any matters referred to herein.

The Company has consent from the Guernsey Financial Services Commission under delegated authority from the States of Guernsey Advisory and Finance Committee (now the States of Guernsey Policy Council) under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 to raise up to £400 million by the issue of shares in the capital of the Company. In giving such consent neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council will accept responsibility for the financial strength of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

Neither the admission of the US Dollar Shares, Sterling Hedged Shares and the Euro Hedged Shares to the official list of the Channel Islands Stock Exchange nor the approval of this document pursuant to the listing requirements of the Channel Islands Stock Exchange (pursuant to both the Rollover Issue and/or the Issue) shall constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of the service providers to, or any other party connected with, the Company, the adequacy and accuracy of information contained in this document or the suitability of the Company for investment or for any other purpose.

The Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act (“Regulation S”). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”), and the recipient of this offering circular will not be entitled to the benefits of that Act. This document should not be distributed into the United States or to US Persons. The Shares may only be resold or transferred in accordance with the restrictions set forth under “Transfer of Shares”.

The attention of potential investors is drawn to the “Risk Factors” set out on pages 8 to 16 of this document.

27 August 2008

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SUMMARY

This summary should read as an introduction to this document and any decision to invest in the Shares should be based on consideration of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor may, under the national legislation of an EEA State, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to the Company and its Directors, who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

The Company

- HSBC Global Absolute Limited is a Guernsey registered closed-ended investment company which was launched on 28 November 2001.
- The Company's objective is to seek to achieve absolute returns with lower levels of volatility than equities generally. Its policy is to seek to achieve this by investing in a diversified portfolio of hedge funds and managed accounts exposed to long/short strategies investing predominantly in global markets.

The Hedge Fund Industry

- "Hedge fund" is a market term used to describe a number of funds whose managers typically have the flexibility to use a variety of sophisticated investment techniques not usually associated with pooled investment vehicles, including selling stocks short.
- Hedge funds commonly aim to achieve positive absolute returns under all market conditions.
- As at 30 June 2008, approximately US\$1,931 billion is invested in hedge funds globally, managed by investment professionals incentivised to achieve positive returns.¹
- Since 31 December 1993, the average hedge fund has provided an annualised return of 10.42 per cent. per annum² compared to the annualised return of global equities of 8.24 per cent. per annum³. This performance has been achieved with a lower risk profile than equities generally.

Summary of Investment Policy

- The Company's investment policy is to invest in hedge funds and hedge fund strategies managed by a number of different investment advisers which invest globally. The Investment Adviser will seek to achieve this investment policy by investing in a diversified portfolio of holdings in hedge funds and managed accounts exposed to long/short strategies investing in global markets which are managed to provide investors with an absolute total return and with a lower volatility than equities in general. There are no size limits to the hedge funds in which the Company may invest and these funds may be closed or open-ended.

Manager and Investment Adviser

- The Company's Manager is HSBC Management (Guernsey) Limited and the Company's Investment Adviser is HSBC Alternative Investments Limited, each of which operate within the network of HSBC Private Bank, the international private banking business of HSBC Group, one of the world's largest banking and financial services organisations.
- HSBC Private Bank is a major investor in the hedge fund sector with experience of investing in hedge funds that traces back to 1989. HSBC Private Bank has over US\$50 billion of clients' assets invested in alternative investments as at 30 June 2008.

1 Hedge Fund Research, Inc. Second Quarter 2008 Report

2 Measured by the Credit Suisse/Tremont Hedge Fund Index 31 December 1993 to 31 July 2008

3 Measured by The MSCI World Index (Gross in US Dollar) 31 December 1993 to 31 July 2008

- HSBC Private Bank utilises dedicated hedge fund teams based in London, New York, Geneva, Zurich, Hong Kong, Singapore, Sydney, Tokyo and invests in over 175 hedge funds.
- The Company has achieved an annualised total return of 6.4 per cent. in US Dollar terms for the period from 28 November 2001 to 31 July 2008. This has been achieved with historic volatility of 4.3 per cent. Over the last three years the Company has returned, in US Dollar terms, net of all fees and expenses, 7.72 per cent. in 2005, 9.6 per cent. in 2006 and 12.05 per cent. in 2007. Since 31 December 2007 through to 31 July 2008, the Company has returned -2.9 per cent.

Directors

- The Directors bring to the Company a diverse range of experience including investment management and the administration and operation of both hedge funds and funds of hedge funds.

Discount Control

- In order to assist in maintaining a narrow discount to Net Asset Value at which the Shares may be trading, the Directors may at their sole discretion:
 - repurchase US Dollar Shares and Sterling Hedged Shares from time to time; and
 - make tender offers every six months of up to 25 per cent. of the US Dollar Shares and the Sterling Hedged Shares then in issue.

If the Euro Hedged Shares are issued pursuant to the Roll Over Issue and/or the Issue, the Directors intend that authority will be sought from Shareholders at the Company's annual general meeting in 2009 to repurchase Euro Hedged Shares from time to time and to make tender offers every six months of up to 25 per cent. of the Euro Hedged Shares then in issue.

Shareholders should have no expectation that the Directors will exercise their discretion either to repurchase Shares or make tender offers.

The Roll Over Issue

- The directors of HSBC European Absolute Limited ("HEAL"), in conjunction with their advisers, have developed proposals which have been designed to satisfy the different requirements of HEAL shareholders as a whole. In summary, the proposals (which were announced by the board of HEAL on 27 August 2008 and full details of which are included in the circular sent to HEAL shareholders on 27 August 2008) are that:
 - HEAL will be placed into voluntary liquidation.
 - Holders of HEAL Sterling Hedged Shares and HEAL Euro Shares will have the option:
 - (a) to elect to roll part or all of their entitlement to the HEAL's assets, after providing for all its liabilities, into an investment in the Company without the payment of any commission, brokerage or initial charge or the crystallisation of any potential liability to UK taxation of chargeable gains; and/or
 - (b) to elect to realise part or all of their investment in HEAL and receive cash in the liquidation of HEAL.
- Subject to the approval of the proposals by the shareholders of HEAL, holders of HEAL Sterling Hedged Shares and/or HEAL Euro Shares (other than those HEAL Shareholders who are Excluded Overseas Holders for the purposes of the proposals) may elect for cash or a combination of cash and one of US Dollar Shares, Sterling Hedged Shares, or Euro Hedged Shares in respect of their HEAL Sterling Hedged Shares or HEAL Euro Shares.
- The liquidators of HEAL will transfer the assets of HEAL to the Company, other than those assets set aside by the liquidators to meet HEAL's liabilities (both actual and contingent), the estimated expenses of HEAL incurred in connection with the proposals and to satisfy payment

to HEAL shareholders electing (or being deemed to have elected) to receive cash on the liquidation of HEAL (including cash payments to be made to Excluded Overseas Holders (the "Transfer Portfolio").

- The Transfer Portfolio, which is expected to comprise a cash and gilts component and a portfolio of hedge funds and managed accounts exposed to alternative strategies investing predominantly in the UK and European markets and short-term money market instruments will be transferred to the Company in consideration for the issue of US Dollar Shares, Sterling Hedged Shares and/or Euro Hedged Shares by the Company to those HEAL Shareholders who have (or are deemed to have) elected for Shares in the Company.
- Any fees and expenses incurred by the Company in connection with the Roll Over Issue will be paid by the Company.

The Issue

- The Directors, following discussions with the Manager and the Investment Adviser, have decided to seek to increase the size of the Company through the issue of US Dollar Shares, Sterling Hedged Shares and, if Euro Hedged Shares are issued pursuant to the Roll Over Issue, Euro Hedged Shares in aggregate. There are currently no Euro Hedged Shares issued by the Company and if such Shares are issued they will be an entirely new class of Shares in the Company. The first Offer Period is expected (subject to the Directors resolving otherwise at their sole discretion) to open on 3 November 2008 and close on 18 November 2008. Thereafter Offer Periods are expected (subject to the Directors resolving otherwise at their sole discretion) to open on the first Business Day of each month and close on or around the 19th calendar day of such month. The last Offer Period is expected to close at 5.00 p.m. on 18 August 2009. Whether or not new Shares are to be issued in respect of any Offer Period will be determined by the Directors in their absolute discretion in the light of demand for such Shares.
- As at the date of this document, the actual number of Shares to be subscribed under the Issue is not known. The maximum number of Shares available for issue under the Issue should not be taken as an indication of the number of Shares finally to be issued.
- The Issue Price of each new Share issued in respect of any Offer Period will be at least the Net Asset Value per Share of the relevant class as at the immediately preceding month end, adjusted to allow for the costs and expenses of the Issue. It is not therefore expected that the Net Asset Value of the Shares in issue prior to any issue of new Shares will be diluted.
- Landsbanki will act as sponsor and may also act as placing agent in respect of the Shares to be issued pursuant to the Issue.
- Fees and expenses incurred in respect of the Issue will be met by the Company. It is proposed that the fees and expenses of the Issue and incidental to the Issue will be met by issuing Shares at a premium to the prevailing NAV. If this is insufficient to meet the costs and expenses any shortfall will be paid by the Manager. The Net Proceeds of the Issue will be invested by the Manager in accordance with the Company's investment policy.

Principal Risk Factors

Past performance and market risk

The past performance of the Company and of other funds managed by the Manager and/or the Investment Adviser is not necessarily indicative of the future performance of the Company. There can be no guarantee that the Company's investment objective will be achieved. The Company's ability to achieve its returns may be adversely affected in the event of significant or sustained changes in market returns or volatility. Prospective investors should regard an investment in the Company as long-term in nature and be aware that they may not recover the full amount initially invested or any at all. The market price of the Shares can fluctuate and there is no guarantee that the market price of Shares will reflect fully their underlying Net Asset Value.

Investment management risk

The profitability of the Company's investment programme depends to a great extent on correct assessments of the future course of price movements of securities and other investments by managers of hedge funds selected by the Investment Adviser. There can be no assurance that the hedge fund managers will be able accurately to predict these price movements. The securities markets have in recent years been characterised by great volatility and unpredictability. With respect to the investment strategy utilised by hedge funds into which the Investment Adviser has and, following the Roll Over Issue and Issue, will invest the Company's assets, there is always some, and from time to time a significant, degree of market risk.

Currency hedging and Net Asset Value divergence

The Net Asset Values of the different classes of Shares of the Company may diverge over time and will rise or fall at varying levels due to the expenses and gains or losses of the currency hedging contracts entered into.

Leverage

Hedge funds selected by the Investment Adviser may utilise a substantial degree of leverage, particularly with regard to certain arbitrage strategies. This may result in the hedge fund controlling substantially more assets than it has equity. Leverage increases returns to the hedge fund if the hedge fund earns a greater return on investments purchased with borrowings than the hedge fund's cost of borrowing. However, the use of leverage exposes the hedge fund to additional levels of risk, including: (i) greater losses (including the risk of a total loss) from investments than would otherwise have been the case had the hedge fund not borrowed to make the investments; (ii) margin calls or interim margin requirements, which may force premature liquidations of investment positions; and (iii) losses (including a total loss) on investments where the investment fails to earn a return that equals or exceeds the hedge fund's cost of borrowing. In the event of a sudden, precipitous drop in value of the hedge fund's assets, the hedge fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the hedge fund which may involve a total loss to the hedge fund.

Valuation

The Company publishes its Net Asset Value monthly, with the relevant valuation point being 5.00 p.m. (Guernsey time) on the last Business Day of each month. In addition, a further two estimated Net Asset Values are calculated and published each month. Valuations produced by the Manager as at the last Business Day of each month are conclusive and binding on all investors. The two mid-month Net Asset Value figures are estimates only and are based on unaudited estimated valuations supplied by investee funds, their managers, investment advisers and administrators. Although the Manager evaluates all such information and data, the Manager is not generally in a position to confirm the completeness, genuineness or accuracy of such information or data. The actual Net Asset Values may be materially different from the estimated values and accordingly, no reliance should be placed on any mid-month estimated valuations.

Portfolio liquidity

Because of overall size, concentration in particular markets and maturities of positions held indirectly by the Company (i.e. through hedge funds selected by the Investment Adviser), the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at by the Company. In addition, the timing of liquidations may also affect the values obtained on liquidation. Securities to be held indirectly by the Company may routinely trade with bid-offer spreads that may be significant. At times, third-party pricing information may not be available for certain positions held by the Company. In addition, the Company may hold loans or privately placed securities for which no public market exists.

Currency risk

Prospective investors should be aware that the Company's portfolio will comprise predominantly US Dollar denominated investments while the Sterling Hedged Shares are denominated in Sterling and the Euro Hedged Shares, if issued, will be denominated in Euro. Whilst the Company will (subject to the availability of appropriate foreign exchange and credit lines) engage in currency hedging in an attempt

to reduce the impact on the Company (and in particular the holders of Sterling Hedged Shares and, if issued, Euro Hedged Shares) of currency fluctuations and the volatility of returns which may result from such currency exposure, there can be no assurance that such hedging transactions will be effective or beneficial. In certain circumstances such currency hedging may be expensive, reduce returns or result in losses to the Company's investment portfolio. Accordingly, the absolute returns achieved on each class of Share will differ significantly over time. The Company's expected currency hedging technique necessarily excludes intra-month variations in the Net Asset Value.

Whilst the Investment Adviser will take steps to ensure that foreign exchange and credit lines are in place for the Company, there can be no assurance that such foreign exchange and credit lines will remain in place and in such event the Company may be further exposed to the risk of currency fluctuations and the volatility of returns and potential losses which may result from such currency exposure.

Performance fee

The annual performance fee payable to the Manager may result in substantially higher payments to the Manager than alternative arrangements in other types of investment vehicles. The existence of the performance fee and the relationship between the Manager and the Investment Adviser may create an incentive for the Investment Adviser to make riskier or more speculative investments than it would otherwise make in the absence of such a fee. In addition, since the performance fee is calculated on a basis that includes unrealised appreciation of the Company's assets, it may be greater than if such a fee was based solely on realised gains.

RISK FACTORS

Investors are referred to the risks set out below. Only those risks that are material and currently known to the Company have been disclosed. No assurance can be given that Shareholders will realise a profit on their investment. Investment in the Company is suitable only for persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment other than via trading in the Shares on the London Stock Exchange and the Channel Islands Stock Exchange. Additional risks and uncertainties not currently known to the Company, or that the Company deems to be immaterial, may also have an adverse effect on its business. Potential investors should review this document carefully and in its entirety and consult with their professional advisers before making an application to subscribe for Shares.

Investment Risks

Investor returns

The success of the Company will depend on the Investment Adviser's ability to identify and realise investments in accordance with the Company's investment objectives. There can be no assurance that the Investment Adviser will be able to do so or that the Company will be able to invest its capital on attractive terms or generate returns for Shareholders. In addition, the performance information provided in this document relates to the past activities of the Investment Adviser in respect of the Company and provides no assurances as to how the Company, the Manager or the Investment Adviser will perform in the future.

Investors contemplating an investment in the Shares should recognise that their market value may fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the hedge funds in which the Company's assets are invested. No guarantee is given, express or implied, that Shareholders will receive back the amount of their investment in the Shares.

Difficulty in locating suitable investments

Although the Investment Adviser has been successful in identifying suitable investments in the past, it may not be able to do so in the future and the Company may not be able to find a sufficient number of attractive opportunities to meet its investment objectives or to generate returns for Shareholders.

Valuation of portfolio investments

The Company publishes its Net Asset Value monthly, with the relevant valuation point being 5.00 p.m. (Guernsey time) on the last Business Day of each month. In addition, a further two estimated Net Asset Values are calculated and published each month. Valuations produced by the Manager as at the last Business Day of each month are conclusive and binding on all investors. The two mid-month Net Asset Value figures are estimates only and are based on unaudited estimated valuations supplied by investee funds, their managers, investment advisers and administrators. Although the Manager evaluates all such information and data, the Manager is generally not in a position to confirm the completeness, genuineness or accuracy of such information or data. The actual Net Asset Values may be materially different from the estimated values and accordingly, no reliance should be placed on any mid-month estimated valuations.

Because of overall size, concentration in particular markets and maturities of positions held indirectly by the Company (i.e. through hedge funds selected by the Investment Adviser), the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at by the Company. In addition, the timing of liquidations may also affect the values obtained on liquidation. Securities to be held indirectly by the Company may routinely trade with bid-offer spreads that may be significant. At times, third-party pricing information may not be available for certain positions held by the Company. In addition, the Company may hold loans or privately placed securities for which no public market exists.

Realisation of investments

Investment in the Shares should be viewed as a long term investment. Although application will be made for the new Shares to be admitted to trading on the main market of the London Stock Exchange and the fact that market-makers have been engaged to facilitate transfers by Shareholders, investors should be aware that a liquid secondary market in the Shares cannot be guaranteed. Shareholders should be aware that there can be no certainty that they may realise their Shares by way of tender of such Shares by the Company or that the Directors will exercise their discretion to make tender offers for Shares on any Tender Date. Potential investors in Euro Hedged Shares should also note that there is currently no authority for the Company to buy-back or tender Euro Hedged Shares. As a result, the Company will not be able to purchase or tender such Shares until Shareholders grant authority at a general meeting of the Company. It is intended that, if Euro Hedged Shares are allotted pursuant to the Roll Over Issue and/or the Issue, such authority will be sought at the Company's annual general meeting in 2009.

Investment strategies

The success of the investment strategies followed by the managers of investee hedge funds depends upon their ability to interpret market data correctly. Any factor that would make it more difficult to execute timely purchases and sales by the manager of an investee hedge fund, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. As the strategies currently employed by investee fund managers may be modified and altered from time to time, it is possible that the strategies used by investee fund managers in the future may be different from those presently in use. No assurance can be given that the strategies used or to be used will be successful under all or any market conditions.

Diversification

Although the Investment Adviser seeks to obtain diversification by investing with a number of different hedge funds with different strategies or styles, it is possible that the selected hedge funds may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the Company to more rapid change in value than would be the case if the assets of the Company were more widely diversified.

Leverage

Hedge funds selected by the Investment Adviser may utilise a substantial degree of leverage, particularly with regard to certain arbitrage strategies. This results in the hedge fund controlling substantially more assets than it has equity. Leverage increases returns to the hedge fund if the hedge fund earns a greater return on investments purchased with borrowed funds than the hedge fund's cost of borrowing such funds. However, the use of leverage exposes the hedge fund to additional levels of risk, including: (i) greater losses from investments than would otherwise have been the case had the hedge fund not borrowed to make the investments; (ii) margin calls or interim margin requirements, which may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the hedge fund's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the hedge fund's assets, the hedge fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the hedge fund.

To the extent that options, futures, options on futures, swaps, swap options and other synthetic or derivative financial instruments are used, it should be noted that they inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

Underlying investee hedge funds may invest in highly leveraged issuers or situations, including issuers that have engaged in leveraged buyouts or certain types of real estate related investments.

Short sales

Hedge funds selected by the Investment Adviser may engage in a significant amount of short selling. Short selling, which involves selling securities not currently owned (i.e. selling borrowed securities), necessarily involves certain additional risks. These transactions expose the Company indirectly to the risk of loss in an amount greater than the initial investment, and the losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by an investee hedge fund in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the investee hedge fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Options

Hedge funds selected by the Investment Adviser may purchase put and call options, as well as write such options. These are highly specialised activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause an underlying hedge fund’s asset value to be subject to more frequent and wider fluctuations than would be the case if it did not invest in options.

High growth industry related risks

Certain hedge funds selected by the Investment Adviser may have significant investments in the securities of high growth companies (e.g., technology, communications and healthcare). It is noted that these securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

Commodity and futures contracts

The hedge funds selected by the Investment Adviser may invest in commodity and futures contracts. Commodity futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programmes and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage is typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day’s trading beyond certain set limits. If prices fluctuate during a single day’s trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – the investee hedge funds could be prevented from promptly liquidating unfavourable positions and thus be subject to substantial losses.

High yield securities

The hedge funds selected by the Investment Adviser may invest in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is smaller

and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Derivative instruments

To the extent that the hedge funds selected by the Investment Adviser invest in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, securities, those hedge funds may take a credit risk with regard to parties with whom they trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Company and hence the Company should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Small cap stocks

The hedge funds selected by the Investment Adviser may have significant investments in small to medium sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. These “secondary” securities often involve significantly greater risks than the securities of larger, better-known companies.

Special situations

The hedge funds selected by the Investment Adviser may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the hedge fund manager may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the hedge fund managers may invest, there is a potential risk of loss by such hedge funds of their entire investment in such companies.

Unregulated markets/jurisdictions

Investing in hedge funds domiciled or operating in one or more unregulated environments involves considerations and possible risks not typically involved in investing in securities of companies or funds domiciled or operating in regulated securities markets. Unregulated securities markets are less liquid, more volatile and less subject to governmental supervision than in the regulated environments. Investments in securities of companies or funds domiciled or operating in unregulated environments could be affected by factors not present in regulated environments, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Emerging markets

The hedge funds selected by the Investment Adviser may invest in emerging market securities. Investing in emerging market securities involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include: (a) the risk of nationalisation or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war; (c) dependence on exports and the corresponding importance of international trade and commodities prices; (d) less liquidity of securities markets; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) controls on investment and limitations on repatriation of invested capital and a hedge fund manager's

ability to exchange local currencies for US Dollars; (h) a higher degree of governmental involvement in and control over the economies; (i) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (k) less extensive regulatory oversight of securities markets; (l) longer settlement periods for securities transactions; (m) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (n) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

Emerging market debt securities

The hedge funds selected by the Investment Adviser may invest in emerging market debt securities, including short-term and long-term securities denominated in various currencies. These securities may be unrated or rated in the lower rating categories by the various credit rating agencies. These securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities with higher credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for debt securities involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for emerging market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold. In addition, adverse publicity and investor perceptions about emerging market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

Market risk

The profitability of the Company's investment programme depends to a great extent upon correct assessments of the future course of price movements of securities and other investments by managers of hedge funds selected by the Investment Adviser. There can be no assurance that the hedge fund managers will be able to predict these price movements accurately. The securities markets have in recent years been characterised by great volatility and unpredictability. With respect to the investment strategy utilised by hedge funds into which the Investment Adviser will invest the Company's assets, there is always some, and occasionally a significant, degree of market risk.

Other instruments and future developments

Managers of hedge funds selected by the Investment Adviser may take advantage of opportunities with respect to certain other "synthetic" or derivative instruments which are not presently contemplated for use by the hedge fund managers or which are currently not available, but which may be developed, to the extent such opportunities are consistent with the hedge fund manager's investment objective. Special risks may apply to such future investments.

Interest rate fluctuations

The price of securities tends to be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of long positions and short positions adopted by underlying hedge fund managers to move in directions which were not originally anticipated. In addition, interest rate increases generally will increase the interest or carrying costs of investments.

Currency risk

Prospective investors should be aware that the Company's portfolio will comprise predominantly US\$ denominated investments while the Sterling Hedged Shares are denominated in Sterling and the Euro Hedged Shares (if issued) will be denominated in Euros. Whilst the Company will (subject to the availability of appropriate foreign exchange and credit lines) engage in currency hedging in an attempt to reduce the impact on the Company (and in particular the holders of Sterling Hedged Shares and, if issued, the Euro Hedged Shares) of currency fluctuations and the volatility of returns which may result from such currency exposure, there can be no assurance that such hedging transactions will be effective or beneficial. In certain circumstances such currency hedging may be expensive, reduce returns or result

in losses to the Company's investment portfolio. Accordingly, the absolute returns achieved on each class of Share will differ significantly over time. The Company's expected currency hedging technique necessarily excludes intra-month variations in the Net Asset Value.

Whilst the Investment Adviser will take steps to ensure that foreign exchange and credit lines are in place for the Company, there can be no assurance that such foreign exchange and credit lines will remain in place and in such event the Company may be further exposed to the risk of currency fluctuations and the volatility of returns and potential losses which may result from such currency exposure.

Illiquidity

The Company is a closed-ended vehicle. Accordingly, Shareholders have no right to have their Shares redeemed or repurchased by the Company at any time. While the Directors retain the right to effect repurchases of Shares and/or periodically to consider offering Shareholders the opportunity to tender a proportion of their Shares for repurchase by the Company pursuant to the Tender Facility, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders who wish to realise their investment in the Company may therefore be required to dispose of their Shares on the London Stock Exchange. There can, however, be no guarantee as to the liquidity of the market in the Shares or that the Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Shareholders may be unable to realise their investment at Net Asset Value or at all.

As a result of liquidation or redemption of a holding in a fund, limited partnership, current partnership or other investment vehicle, or due to the creation of an illiquid investment or receipt of an illiquid asset in lieu of an existing holding, the Company's portfolio may contain shares or assets which are illiquid. The Manager, so far as it has the power to do so, seeks to ensure that such holdings are normally not more than 10 per cent. of the Net Asset Value of the Company. It is not the normal policy of the Company to invest directly in funds, limited partnerships or other vehicles that have no liquidity.

Interest rate fluctuations

The prices of securities tend to be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of long positions and short positions adopted by underlying hedge fund managers to move in directions which were not originally anticipated. In addition, interest rate increases generally will increase the interest or carrying costs of investments.

Other risks

Each strategy employed by the underlying hedge fund managers with whom the Company will invest typically will involve a different set of complex risks, many of which are not described in this document. Each prospective investor should make such investigation and evaluation of such risks as he/she concludes is appropriate.

Fund risks

Multiple hedge fund managers

Because the Company selects hedge fund managers who make their investment decisions independently, it is theoretically possible that one or more of such hedge fund managers may, at any time, take investment positions that are opposite to positions taken by other hedge fund managers. It is also possible that such hedge fund managers may on occasion be competing with each other for similar positions at the same time.

Access to information from hedge fund managers

The Investment Adviser will select investee hedge funds based upon the factors described in Part I below. The Investment Adviser will request information from each manager of an investee hedge fund regarding that manager's historical performance and investment strategy. The Investment Adviser will also request detailed portfolio information on a continuing basis from each manager of an investee hedge fund. However, the Investment Adviser may not always be provided with such information because certain of this information may be considered proprietary information by the particular hedge fund manager. This lack of access to information may make it more difficult for the Investment Adviser to select, allocate among, and evaluate hedge fund managers.

Activities of hedge fund managers

Although the Investment Adviser will seek to invest the Company's assets in underlying hedge funds whose managers exercise the highest level of integrity, the Investment Adviser will have no control over the day-to-day operations of any of the underlying hedge fund managers. As a result, there can be no assurance that every underlying hedge fund manager will conform his/her conduct to these standards.

Potential conflicts of interest

The Manager and its affiliates serve as the investment manager to other clients. As a result, the Manager (and its affiliates) may have conflicts of interest in allocating their time and activity between the Company and the other clients, in allocating investments among the Company and the other clients and in effecting transactions between the Company and other clients, including ones in which the Manager (and its affiliates) may have a greater financial interest. The Manager and its affiliates may give advice or take action with respect to such other clients that differs from the advice given with respect to the Company.

The Manager and its affiliates may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Manager and the Investment Adviser may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company or funds in which the Company invests.

Each of these parties will have regard to its obligations under the Management Agreement or Investment Advisory Agreement (as appropriate) with the Company, or otherwise to act in the best interests of the Company so far as is practicable, having regard to its obligations to other clients when potential conflicts of interest arise. Having regard to these obligations, the Company may buy investments from or sell investments to the Manager or the Investment Adviser only on an arm's length basis. In particular, the Manager and the Investment Adviser will use their reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Manager or the Investment Adviser, that fall within the Company's investment objective and policy, on the best terms reasonably obtainable at the relevant time having regard to the interests of the Company.

Changes in taxation

Any change in the Company's tax status, or in taxation legislation in either Guernsey or the United Kingdom, could affect the value of the investments held by the Company or the Company's ability to achieve its investment objective or alter post-tax returns to Shareholders.

Statements in this document concerning the taxation of UK resident Shareholders are based upon current UK tax law and published practice, which in principle is subject to change (potentially with retrospective effect) that could adversely affect the ability of the Company to meet its investment objective or alter post-tax returns to UK Shareholders.

Performance fee

The annual performance fee payable to the Manager may result in substantially higher payments to the Manager than alternative arrangements in other types of investment vehicles. The existence of the performance fee and the relationship between the Manager and the Investment Adviser may create an incentive for the Investment Adviser to make riskier or more speculative investments than it would otherwise make in the absence of such fee. In addition, since the performance fee is calculated on a basis that includes unrealised appreciation of the Company's assets, it may be greater than if such fee was based solely on realised gains.

Management fees applied to third party investee funds typically range from 1 to 2 per cent. per annum, and performance fees range from 10 to 20 per cent. of the growth in assets, sometimes subject to a hurdle rate. Performance figures issued by the Company and stated performance targets will be net of these.

Regulatory supervision

The hedge funds and other investment vehicles, into which the Company may invest, including managed accounts, may not be subject to any form of authorisation or regulatory supervision. They may not be required to have an independent custodian or any custodian at all. Therefore, investment in such vehicles carries a higher potential risk and this should be taken into account in any investment decision.

Prime brokerage risk

To the extent that investee funds have transferred their investments to a prime broker as collateral or margin, that investee fund will rank as one of the prime broker's unsecured creditors and in the event of the insolvency of the prime broker, the investee fund may not be able to recover such assets. The investee funds will be subject to the risk of the inability of the prime broker to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

Systemic risk

Within the banking industry the default of any institution could lead to defaults by other institutions. Recently, financial institutions have become concerned as to the exposure of other financial institutions to sub-prime related investments and other investments affected by the current credit crisis. Concerns about, or default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect prime brokers with whom the investee funds deal. The Company may therefore be exposed to systemic risk when its investee funds deal with prime brokers and custodians whose creditworthiness may be interlinked.

Discount to Net Asset Value

The Shares may trade at a discount to Net Asset Value for a variety of reasons, including due to market conditions or to the extent investors undervalue the activities of the Investment Adviser. In addition, at any point there may be a material difference in the differential between the respective Net Asset Value and the market price in respect of each class of Share. While the Directors intend to monitor and utilise appropriate mechanisms to mitigate any discount to Net Asset Value, there can be no guarantee that this will be successful and the Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.

ERISA

If 25 per cent. or more of any class of equity ownership in the Company is owned, directly or indirectly, by US Employee Retirement Security Act of 1974 ("ERISA") plans ("Plans"), the assets of the Company will be deemed to be "plan assets", subject to the constraints of the ERISA and Section 4975 of the US Internal Revenue Code (the "Code"). If this happens, transactions involving the assets of the Company could be subject to the fiduciary responsibilities of ERISA and to the prohibited transaction provisions of Section 4975 of the Code and, in certain circumstances, the fiduciary of an ERISA Plan that is responsible for the Plan's investment in the Shares could be liable for any ERISA violations by the Directors, the Manager or the Investment Adviser. However, as the Shares are not being offered or sold in the United States it is not expected that the provisions of ERISA will apply to the Company.

Roll Over Issue Risks

The Roll Over Issue and Transfer Agreement are conditional on HEAL shareholder's approving that Company's voluntary liquidation at an extraordinary general meeting

The ability for investors holding shares issued by HEAL to elect to roll over into Sterling Hedged Shares, Euro Hedged Shares or US Dollar Shares is conditional on the passing of a resolution at the extraordinary general meeting of HEAL expected to be held on 24 September 2008 that will approve HEAL going into voluntary liquidation. The Transfer Agreement is also conditional on the resolution being passed. Should this resolution not be passed, the Roll Over Issue will not be implemented and the Company will not receive any assets currently held by HEAL pursuant to the Transfer Agreement.

Forward looking statements

This document contains forward looking statements, including, without limitation, statements containing the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, the Manager or the Investment

Adviser or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to:

- the Company's ability to achieve its investment objective;
- the investment returns of the Company not being indicative of the Company's future performance;
- the continuation of HAIL as Investment Adviser of the Company and the continued affiliation with HAIL of its key investment professionals;
- the Company's financial condition and liquidity;
- changes in the values and returns of investments that the Company makes;
- changes in financial markets, interest rates or industry, general economic or political conditions; and
- greater volatility of the markets in which the Company invests and the market price of Shares.

Additional factors that could affect the Company's ability to achieve its investment objective and could cause actual results to differ materially from those in forward looking statements include, but are not limited to, those discussed in the section headed "Risk Factors" beginning on page 8 of this document.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules of the FSA), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Potential investors are advised to read this document in its entirety before making any investment in Shares and, in particular, the sections entitled "Risk Factors" and "Part I – Information on the Company" for a further discussion of factors that could affect the Company's future performance.

IMPORTANT INFORMATION

The attention of potential investors is drawn to the “Risk Factors” set out on pages 8 to 16 of this document. Investment in the Company will involve certain risks and special considerations. Investors should be able and willing to withstand the loss of their entire investment. The investments of the Company are subject to normal market fluctuations and the risks inherent in all investments and there can be no assurance that an investment will retain its value or that appreciation will occur. The price of Shares and the income from such Shares can go down as well as up and investors may not realise the value of their initial investment.

No broker, dealer or other person has been authorised by the Company, its Directors, Landsbanki, the Investment Adviser or the Manager to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of the Shares other than those contained in the Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company, its Directors, Landsbanki, the Investment Adviser or the Manager.

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Shares by any person in any jurisdiction in which: (i) such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. In particular, the Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act (“Regulation S”). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”), and investors will not be entitled to the benefits of the Investment Company Act. The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares or the accuracy or adequacy of the Prospectus. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law. Applicants for Shares will be required to certify that they are not “US Persons” and will not offer or sell, directly or indirectly, any of the Shares in or into the United States, or to, or for the account or benefit of, a US Person.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in Guernsey and in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company. All prospective holders of Shares are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Memorandum and Articles of Association of the Company.

The Shares may only be resold or transferred in accordance with the restrictions set forth under “Transfer of Shares”.

EXPECTED TIMETABLE

Issue

Opening of Offer Period	The first Business Day of each month commencing on 3 November 2008
Month-end NAV calculations and Issue Price announced	The 15th calendar day of each month or, if such day is not a Business Day the immediately preceding Business Day
Closing of Offer Period/Latest time and date for receipt of Issue commitments*	5.00 p.m. on the second Business Day following the announcement of the Issue Price
Allotment of New Shares	The Business Day following the closing of the relevant Offer Period
Results of Issue	Within four Business Days of the closing of the relevant Offer Period
Admission to the Official List and commencement of dealings on the London Stock Exchange	Four Business Days from the closing of the relevant Offer Period
CREST stock accounts credited	Four Business Days from the closing of the relevant Offer Period
Certificates for New Shares dispatched	Within twenty Business Days of the closing of the relevant Offer Period
Roll Over Issue	
Roll Over Issue Shares allotted and dealings to commence	29 October 2008
Roll Over Issue Shares expected to be credited to CREST accounts	Week commencing 3 November 2008
Roll Over Issue Shares expected to be issued in certificated form	Week commencing 3 November 2008

* The Directors may bring forward such date and thereby shorten the relevant Offer Period and may put back and thereby lengthen the relevant Offer Period. In the event that the relevant Offer Period is shorted or lengthened, the Company will notify investors of such change through the publication of a notice through a Regulatory Information Service provider to the London Stock Exchange.

DIRECTORS, MANAGER AND ADVISERS

Directors	Raymond Apsey (<i>Chairman</i>) Keith Dorrian Paul Wrench
Manager, Company Secretary and Registered Office	HSBC Management (Guernsey) Limited St Martin's House Le Bordage St Peter Port Guernsey GY1 1BP
Investment Adviser	HSBC Alternative Investments Limited 78 St James's Street London SW1A 1JB United Kingdom
Sponsor and Issue Agent	Landsbanki Securities (UK) Limited Beaufort House 15 St Botolph Street London EC3A 7QR United Kingdom
Solicitors to the Company in England	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS United Kingdom
Legal Advisers to the Company in Guernsey	Carey Olsen PO Box 98 7 New Street St Peter Port Guernsey GY1 4BZ
Channel Islands Sponsor	HSBC Management (Guernsey) Limited St Martin's House Le Bordage St Peter Port Guernsey GY1 1BP
Auditors	KPMG Channel Islands Limited 20 New Street St Peter Port Guernsey GY1 4AN
Registrar	Capita Registrars (Guernsey) Limited 2nd Floor No.1 Le Truchot St. Peter Port Guernsey GY1 4AE
Receiving Agent and Paying Agent	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

Banker

HSBC Private Bank (C.I) Limited
Park Place
Park Street
St Peter Port
Guernsey GY1 1EE

Custodian

State Street Custodial Services (Ireland) Limited
Block D
Iveagh Court
Harcourt Road
Dublin 2
Ireland

GLOSSARY

The following provides a detailed description of some of the terms used in this document. Definitions are shown on pages 93 to 98 of this document.

Arbitrage	Classical arbitrage involves the simultaneous buying and selling of the same security in different markets so as to take a profit from a price differential. Arbitrage strategies in this context also include the purchase of a security believed to be undervalued, and the simultaneous short sale of a security believed to be overvalued, or instead of purchasing and selling such securities, the gearing up of such positions by the use of futures contracts, options, options on such futures contracts, index options, and a wide range of other derivative instruments including synthetic securities. Whilst the aim of the arbitrage trader is always to make profits, the reverse can happen.
Credit Suisse/Tremont Hedge Fund Index	The Credit Suisse/Tremont Hedge Fund Index is an index of hedge funds.
Currency hedging	This is designed to mitigate the effect of foreign exchange rates on the returns achieved by the Company. There are a number of possible strategies open to hedge fund managers, most involving fixing the exchange rate in the future to remove volatility, usually through options, forward transactions and currency swaps.
Event driven strategies	Strategies that focus on the actual or anticipated occurrence of an event such as a merger, corporate restructuring or bankruptcy. The key to the profitability of such investments is the ability to understand the likelihood of an event being completed, as well as the time frame in which it will occur. The correlation to traditional markets is usually not particularly high.
Fund of hedge funds	A fund whose portfolio is made up of allocations to other funds.
Hedge fund	Funds that seek above average returns through superior portfolio management. Returns have historically had low correlation to traditional investment returns. Hedge funds use techniques such as short selling to boost performance and reduce volatility.
HFRI Fund of Funds Composite Index	The HFRI Fund of Funds Composite Index is a composite of multi-strategy funds of hedge funds and is an independent performance measurement for the alternative investments market.
JP Morgan Global Government Bond Index	The JP Morgan Global Government Bond Index is an unhedged global index of government bonds that is calculated based on a gross price in the local currencies.
Long position	The position of an investor who buys a security before selling because of an expected price increase.
Long/short strategies	Such strategies invest in bond or equity markets by combining long positions with short positions. These strategies are, therefore, somewhat directional and their returns may typically exhibit higher correlations with traditional markets than the returns of relative value or event driven strategies.

Managed account/segregated portfolio	An investment account that is managed by a professional adviser. In the case of diversified portfolios of hedge funds, the investor has a tailor made portfolio with discretionary portfolio management services undertaken by professional investment advisers.
Margin	(a) Using money borrowed from a broker to purchase securities; or (b) the difference in the purchase and sale price of a security.
Market neutral	Refers to strategies whose returns are theoretically not dependent upon the direction of the market and aim to eliminate or neutralise exposure by being fully hedged. It should be emphasised, however, that market neutral does not mean risk neutral. An investor still has to assume risk to earn excess returns.
MSCI World Index (Gross in US\$)	The MSCI World Index (Gross in US\$) is the Morgan Stanley (Gross in US\$) Capital International Equity Index for developed markets in US Dollars. The index provides a benchmark against which portfolio managers can measure the performance returns of investments.
Quantitative strategies	Quantitative strategies rely on models or filters to develop investment ideas or themes, as opposed to strategies that rely on more fundamental or qualitative research.
Relative value	A term covering strategies that invest in bonds and/or equities but are not dependent on the general direction of underlying markets. This is, typically, a conservative approach in which the manager is seeking to exploit market inefficiencies by exploiting pricing disparities between related instruments. The focus can be very quantitative, focusing on stock selection techniques. Such strategies should have low correlation to general market movement. Typical strategies in this category include equity market neutral, fixed income arbitrage, convertible bond arbitrage and mortgage-backed securities arbitrage.
Short selling	Selling a security that the seller does not own but is committed to eventually repurchasing. It is used to capitalise on an expected decline in the security's price.
Special situation	See "Event driven strategies" above.
Standard deviation	Also known as "Volatility". A measure of dispersion of a set of data from its average. The higher the value, the more the overall data varies from its average. A fund with an annualised return of 10 per cent. and an annualised standard deviation of 5 per cent. indicates that over the performance period, returns in any 12 month period have been between 5 per cent. and 15 per cent. about two thirds of the time.
Systematic strategy	These strategies are very quantitative in focus. Managers using such strategies will use the output from their quantitative models to determine the positioning of their portfolios.

PART I

INFORMATION ON THE COMPANY

Introduction to the Company

HSBC Global Absolute Limited is a Guernsey registered, closed-ended investment company, that was launched in November 2001 with total assets, as at 28 November 2001, of £125.86 million. Its issued US Dollar Shares and Sterling Hedged Shares are admitted to the Official List and traded on the main market for listed securities of the London Stock Exchange and also admitted to the official list of the Channel Islands Stock Exchange. The Company's objective is to seek to achieve absolute returns with lower volatility than equities generally. Its policy is to seek to achieve this by investing in a diversified portfolio of hedge funds and managed accounts exposed to long/short strategies investing predominantly in global markets. The Company's Manager is HSBC Management (Guernsey) Limited and the Company's Investment Adviser is HSBC Alternative Investments Limited.

The Company is considered by the Directors potentially to be attractive to both retail and institutional investors who are seeking an exposure to a diversified portfolio of hedge funds with a Company whose shares are admitted to trading on the London Stock Exchange. The Company recommends that investors seek professional advice before investing in Shares.

The Hedge Fund Industry

"Hedge fund" is a market term used to describe a range of funds whose managers typically have the flexibility to use a variety of sophisticated investment techniques not usually associated with pooled investment vehicles. Such techniques may include investing in long or short positions in equities, options, convertibles, warrants and other similar investments. In addition, some funds may employ gearing in order to generate improved returns.

Hedge funds commonly aim to achieve absolute returns under all market conditions (i.e. growth in the value of investments), rather than relative returns (i.e. attempting to beat selected indices).

There are more than 7652 hedge funds in existence globally⁵, these have a range of target risk and return profiles, with approximately US\$1,931 billion of assets under management⁶ and a range of investment strategies. A significant number of new hedge funds have been launched in the last few years and it is anticipated that expansion of the sector will continue.

The hedge fund sector is characterised by professional investment managers managing portfolios where they often have a personal interest and are remunerated on the basis of positive investment returns.

Funds of hedge funds

A fund of hedge funds, in contrast to an individual hedge fund, is a pooled investment vehicle that invests in hedge funds rather than equity or fixed income securities. As with hedge funds themselves, there is some variation among the strategies and objectives of a fund of hedge funds. Some funds may be broadly diversified among different strategies, focusing on low volatility, while others have a more particular focus on a strategy and, correspondingly, a potentially higher return target and higher levels of volatility. The common objective for all managers of funds of hedge funds, independent of specific investment objectives, is to identify hedge fund managers with superior skills in their particular discipline.

Funds of hedge funds are actively managed investment products. The hedge funds included in funds of hedge funds portfolios change over time for a variety of reasons. Certain strategies come in and out of favour due to market conditions, so changes to the portfolio are made accordingly.

5 Hedge Fund Research, Inc. Second Quarter 2008 Report

6 Hedge Fund Research, Inc. Second Quarter 2008 Report

Hedge fund performance

There is no particular performance measurement of hedge funds on a regional or country basis. However, for the period 31 December 1993 to 31 July 2008⁷, hedge funds (as measured by the Credit Suisse/Tremont Hedge Fund Index) have provided a total return (i.e. capital plus income returns) of 10.42 per cent. This may be compared with the total return of global equities (as measured by the MSCI World Index (Gross in USD)) of 8.24 per cent. over the same period.

Hedge funds have outperformed equities in general and most have done so with a lower risk profile. In order to illustrate the performance of hedge funds in general as an asset class, the table below compares the annualised total returns and volatility of performance (as measured by the standard deviation) of funds of hedge funds (on a world-wide basis), global equities and global bonds.

	<i>Annualised total return %</i>	<i>Annualised volatility (standard deviation) %</i>
Global hedged funds – HFRI Fund of Funds Composite Index	7.40	5.81
Global hedge funds – Credit Suisse/Tremont Hedge Funds Index	10.42	7.48
Global equities – MSCI World Index (Gross in USD)	8.17	13.40
Global bonds – JP Morgan Global Government Bond Index	6.40	6.29

Total return from 31 December 1993 to 31 July 2008 being the latest available data provided for global hedge funds at the time of publication, in US Dollars, Source: Bloomberg.

The attention of potential investors is drawn to the risk factors set out under “Risk Factors” on pages 8 to 16 of this document.

Advantages of Funds of Hedge Funds

The Company offers the ability for investors to access the potential enhanced investment returns available from hedge funds through a simple structure and diversified portfolio managed by an experienced investment team.

The creation of a portfolio of hedge funds with expert management is useful as for many investors hedge funds are a difficult asset class to access. This is because:

- there is a large range of funds to choose from, many of which evidence restricted levels of transparency and therefore close and regular professional monitoring of managers and strategies is important;
- there are meaningful differences in risk and return between individual funds;
- the creation of a diversified portfolio is both difficult and expensive;
- many funds have very high minimum investment requirements (US\$1 to 5 million are not unusual) and some funds are closed except to existing investors;
- frequent new fund launches require regular assessment of new opportunities; and
- many hedge funds are structured in such a way that only a professional investment adviser can gain access.

The potential disadvantages of an investment in a fund of hedge funds may be summarised as:

- a lack of transparency in the way returns are achieved and disclosed;
- a risk of loss of some or all of the investment made by a fund into a particular hedge fund where a high risk investment strategy is used by underlying investee funds and if the process of diversification of a portfolio cannot be achieved;
- higher aggregate fees than is the case for direct investment in hedge funds; and
- a potential lack of regulation of certain underlying funds depending on where they are domiciled.

⁷ Hedge Fund Research, Inc. Second Quarter 2008 Report

Investment Policy

General

The Company's investment policy is to invest in hedge funds and hedge fund strategies managed by a number of different investment advisers which invest globally. The Investment Adviser will seek to achieve this by investing in a diversified portfolio of holdings in hedge funds and managed accounts exposed to long/short strategies investing in global markets which are managed to provide investors with an absolute total return and with a lower volatility than equities in general. As at 26 August 2008 (being the latest practicable date prior to the publication of this document) the Company's assets were wholly denominated in US Dollars. There are no size limits to the hedge funds in which the Company may invest and these funds may be closed or open-ended.

The Company will comply with certain investment restrictions for so long as they remain requirements of the FSA as set out in more detail in paragraph 12 of Part V of this document. The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances. As required by the Listing Rules, any material change to the investment policy of the Company will only be made with the approval of Shareholders.

Diversification

Not more than 10 per cent. of the Company's gross assets will in aggregate be invested in any single managed account or accounts or with any single portfolio manager of managed accounts and it is anticipated that the Company's portfolio will be invested in between 20 and 50 hedge funds and managed accounts in total.

Asset Allocation

The Company, as an alternative to investing in hedge funds directly, may, on the advice of the Manager or the Investment Adviser, appoint separate and distinct portfolio managers of managed accounts with individual investment discretion and policy to manage managed accounts of the Company in the form of separately established wholly or majority-owned limited liability investment companies. The management of the Company's investments in this way allows the Company to benefit from possible efficiency and cost savings arising from the management fee terms of underlying portfolio managers of managed accounts as well as potentially greater control of underlying investments. As the managed accounts are managed through separate limited liability investment companies, the liability of the Company is, in each case, limited to the value of its shareholding in that investment company.

Portfolio managers of managed accounts and the hedge funds in which the Company invests, are permitted to invest in long and short positions in equities, options, warrants, fixed income securities, financial and commodity futures, currency forwards, over-the-counter derivative instruments, securities that lack active public markets, preferred stocks, convertible bonds, other financial instruments and in securities or assets which may have limited or no liquidity and may not be listed or dealt in on a stock exchange or other regulated market and in any other instrument that the Manager may, from time to time, deem to be appropriate for such an investment company.

When they determine that such an investment policy is warranted, portfolio managers of managed accounts may invest without limitation in money market instruments and cash.

The Company's intention is to be substantially fully invested at all times, although the Investment Adviser may use its discretion to hold cash or equivalent instruments from time to time.

The Company may enter into derivative transactions (such as options, futures, forwards and contracts for differences) periodically for efficient portfolio management purposes. The Company will not enter into derivative transactions for speculative purposes.

Cash (if any) is held in G8 currency-denominated accounts.

Borrowings

The Company has the ability to borrow up to 20 per cent. of its adjusted total of capital and reserves for short-term or temporary purposes as is necessary for settlement of transactions, to facilitate redemption (where applicable) or to meet ongoing expenses. The Company does not have any structural gearing. The Company is indirectly exposed to gearing to the extent that investee funds or portfolio managers are themselves geared.

Comparative indicator

In respect of the US Dollar Shares, the Directors will compare the Company's performance in US Dollar terms with the total average return on 50 per cent. of US Dollar 3 Month LIBOR and 50 per cent. MSCI World Index (Gross in USD), in US Dollars.

In respect of the Sterling Hedged Shares, the Directors will compare the Company's performance in Sterling terms with the total average return on 50 per cent. Sterling 3 Month LIBOR and 50 per cent. MSCI World Index (Gross in USD), hedged in Sterling.

In respect of the Euro Hedged Shares (if Euro Hedged Shares are issued pursuant to the Roll Over Issue), the Directors will compare the Company's performance in Euro terms with the total average return on 50 per cent. Euro 3 Month LIBOR and 50 per cent. MSCI World Index (Gross in USD), hedged in Euros.

The Company's performance

For the period from inception on 28 November 2001 to 15 August 2008, the unaudited NAV per Share (as calculated by the Manager and based on the most recent net asset value calculation available as at the date of this document) increased by 49.36 per cent. in US Dollar terms. For the period 30 November 2001 to 15 August 2008, the unaudited average closing price difference to NAV (as calculated by the Manager) was -0.68 per cent. As at 31 July 2008, the Company was invested in 34 hedge funds investing in a variety of investment strategies. As at 28 November 2001, the Company was invested in 38 hedge funds.

Current trading and prospects

At the close of business on 26 August 2008 (being the latest practicable date prior to the posting of this document), the Company's unaudited estimated Net Asset Value, as calculated by the Manager as at 15 August 2008 (and published by the Company on 22 August 2008), was approximately US\$108,569,925 – equivalent to US\$2.0025 per US Dollar Share and £1.0838 per Sterling Hedged Share. Over the period 28 November 2001 to 15 August 2008 the Company's unaudited estimated Net Asset Value, as calculated by the Manager, has appreciated by 49.36 per cent., an equivalent annualised rate of 6.1 per cent. Over the same period the historic volatility of the fund's returns has been 4.3 per cent. Over the last three years the Company has returned, in US Dollar terms, net of all fees and expenses, 7.72 per cent. in 2005, 9.6 per cent. in 2006 and 12.05 per cent. in 2007. Since 31 December 2007 through to 15 August 2008 the Company has returned -4.42 per cent.

2007 was a positive year for the Company as the Net Asset Value for the 12 month period rose by 12.05 per cent. This performance was led by returns from event driven, equity long short, and short credit strategies. Over the course of 2007 the performance of the US Dollar denominated fund was ahead of both the MSCI World Total Return Index and the JP Morgan Global Government Bond Index which returned 9.57 per cent. and 10.81 per cent. respectively.

During 2007 event driven strategies were buoyed by merger and acquisition (M&A) activity that continued at a remarkable pace throughout the first half of the year, fuelled by strong corporate balance sheets, vast private equity funds and cheap funding. Equity long/short strategies also fared well, particularly those focused on emerging markets, which benefited from the expansion of the global economy. A number of managers correctly anticipated the deterioration of the US housing market and made significant gains as the credit crunch developed.

2008 has been challenging for investors as the impact of the credit crunch has made itself felt across global markets. For the period 31 December 2007 to 15 August 2008 the MSCI World Total Return Index has fallen by -12.42 per cent. whilst the JP Morgan Global Government Bond Index which returned 5.01 per cent. Against this back drop the Company in US\$ has returned -4.42 per cent.

Going forward the Investment Adviser is positive in its outlook for equity market neutral, statistical arbitrage, convertible arbitrage macro and event driven strategies, whilst remaining neutral for equity long/short, merger arbitrage, fixed income arbitrage, managed futures and distressed opportunities.

The Investment Adviser's long established links with hedge fund managers has resulted in ongoing access to capacity with fund managers whose funds are closed to new investment, enabling position sizes within the Company to grow as those funds grow. Therefore, the Investment Adviser believes that dilution of core holdings will be minimised through continued access to capacity for the majority of the portfolio.

It is the intention of the Investment Adviser to maintain the current strategy breakdown of the portfolio, with new holdings being used where current holdings are capacity constrained. It is not envisaged that there will be a significant shift in the portfolio's makeup.

Potential investors should not rely upon the allocations or weightings as outlined, or any kind of assurance that a particular asset class, strategy or given weighting will be included in the portfolio.

The Investment Adviser's Experience

The attention of potential investors is drawn to the risk factors set out on pages 8 to 16 of this document. Investors should note that the past performance of the Company or other funds managed by the Manager or the Investment Adviser is not necessarily indicative of the future performance of the Company.

HSBC Private Bank (of which the Investment Adviser is a part) is a major investor in the hedge fund sector with experience of investing in hedged funds that traces back to 1989. HSBC Private Bank has over US\$50 billion of clients' assets invested in alternative investments as at 30 June 2008.

The Company has access to dedicated investment teams of professionals based in London, New York, Geneva, Zurich, Hong Kong, Singapore, Sydney and Tokyo each with an average of over six years experience of the hedge fund sector.

The performance of the Company is shown against the HFRI Fund of Funds Composite Index and the MSCI World Index (Gross in US\$) in the table below.

	<i>Total return (%) – Periods to 31 July 2008</i>				
	<i>1 yr</i>	<i>2 yr</i>	<i>3 yr</i>	<i>4 yr</i>	<i>5 yr</i>
HSBC Global Absolute Limited - US\$	0.40	14.38	24.10	34.73	42.58
HFRI Fund of Funds Composite Index	-0.51	14.32	24.36	35.15	44.50
JP Morgan Global Government Bond	13.57	19.21	20.76	29.37	40.07
MSCI World Index (Gross in US\$)	-10.38	8.15	23.56	46.18	72.66

Sources: HAIL, Bloomberg

Notes: In the case of the Company, performance is calculated on a total return basis in US Dollars assuming any dividends are reinvested. The Company's performance is calculated net of all expenses within the funds.

The past performance of the Company and of other funds managed or advised by HMG and HAIL is not necessarily indicative of the future performance of the Company.

The performance of the Company during the period from 28 November 2001 to 31 July 2008 has been calculated by the Manager and is unaudited.

The Investment Adviser's Investment Methodology

The Investment Adviser's investment methodology focuses on three key elements:

- manager and style diversification;
- investment constraints in the hedge fund sector; and
- detailed due diligence of hedge fund managers.

Diversification

The Investment Adviser will seek to invest the Company's assets in a portfolio of hedge funds diversified by:

- asset class, i.e. equities, convertibles, options, bonds and other asset classes;
- geography;
- strategy, i.e. arbitrage, long/short, event driven, market neutral;
- investment style, i.e. discretionary, quantitative, systematic; and
- manager, i.e. size, history and experience.

Investment constraints

Hedge funds are often characterised by limited liquidity in terms of the ability to invest money in established funds. In addition, redemption proceeds from some funds may take some time to be distributed. Therefore, in establishing a portfolio of hedge funds, the Investment Adviser will consider the constraints of making an investment and its realisation, taking a medium to long term view on investment.

Due diligence

The Investment Adviser seeks to include hedge fund managers and portfolio managers who have well articulated investment styles and who are able to explain their fundamental investment strategy clearly and succinctly.

The Investment Adviser seeks to include managers who co-invest in their funds and have a sensible business plan for future growth, both of assets under management and infrastructure.

The selection of managers is based on a rigorous process relying on an in-depth study of the fund manager universe and extensive due diligence of individual managers.

Directors

The Directors have been chosen for their expertise in the hedge fund sector and their considerable experience of running funds with similar corporate structures to that of the Company.

The Directors of the Company, all of whom are non-executive, are listed below.

Raymond Apsey (Chairman) aged 64, is a Fellow of the Institute of Chartered Secretaries and Administrators with extensive experience at management level of the offshore finance industry in the Bahamas, the Channel Islands and the Cayman Islands. He joined the Morgan Grenfell Offshore Group in 1975 to head the Corporate and Trust Division and held various senior appointments including Deputy Managing Director of the Jersey bank, Managing Director of the Cayman Islands subsidiary and Group Director before retiring in December 1995. Mr Apsey resides in Jersey and is currently Chairman and non-executive director of a number of investment companies listed on the London, Irish and Channel Islands Stock Exchanges.

Keith Dorrian aged 62, has over 30 years experience in the offshore finance industry. Joining Manufacturers Hanover in 1973 he moved to First National Bank of Chicago in 1984. In 1989 he joined ANZ Bank (Guernsey) where as a director of the Bank and Fund Management company he was closely involved in the banking and fund management services of that group. He took up that position of Manager Corporate Clients in Bank of Bermuda Guernsey in 1999 and was appointed Head of Global Fund Services and Managing Director of the Bank's Fund Administration company in 2001 retiring on the 31st December 2003. He is currently a director of a number of fund and fund management companies and holds the Institute of Directors Diploma in Company Direction.

Paul Wrench aged 52, has been Managing Director of the Manager since 1994 and has overall responsibility for all aspects of the company's operations. The Manager is regulated by the Guernsey Financial Services Commission and has assets under administration in excess of US\$5 billion invested in a diverse range of products covering all major asset classes and markets worldwide. Prior to joining the Manager, Mr Wrench was with Lloyds Bank where he was primarily responsible for launching a range of offshore emerging market equity funds. Mr Wrench is a Fellow of the Institute of Chartered Accountants (FCA) and an Associate of the Institute of Bankers (ACIB).

Save for Paul Wrench, who is a director of the Manager, all the Directors are independent of the Manager and the Investment Adviser.

The Manager

The Manager of the Company is HSBC Management (Guernsey) Limited, part of the HSBC Group.

The Manager, pursuant to the Management Agreement, provides various management and administrative services to the Company, including (subject to the Directors' overall supervision) the assumption of the powers, duties, discretions and functions exercisable by the Directors and the calculation of the Net Asset Value of each class of Share in accordance with the policies laid down by the Board. The Manager also provides the Company's registered office in Guernsey.

The Manager is a wholly-owned subsidiary of HSBC Investment Holdings (Guernsey) Limited which is part of the HSBC Group, one of the world's largest banking and financial services organisations.

The Manager is licensed by the Guernsey Financial Services Commission to carry out controlled investment business under The Protection of Investors (Bailiwick of Guernsey) Law 1987 and is the manager of a range of Guernsey authorised collective investment schemes and investment companies with aggregate net assets as at 30 June 2008 of over US\$5.0 billion. Such collective investment schemes and investment companies include: HSBC Portfolio Selection Fund, HSBC Alternative Portfolio, HSBC Uni-Folio and HSBC Alternative Investments Portfolio. These four funds are all umbrella unit trust funds. The Manager also manages The Hermitage Fund (a leading Russian equities fund) and HEAL.

The Manager has delegated some of its duties, including that of making investment decisions, to HSBC Alternative Investments Limited, the Company's Investment Adviser, pursuant to the Investment Advisory Agreement.

The Investment Adviser

The Investment Adviser of the Company is HSBC Alternative Investments Limited, part of the HSBC Group.

The portfolio currently held by the Company is selected by the Investment Adviser. The Investment Adviser has a team of staff experienced in the selection of investments and the monitoring of performance of target portfolios, using both quantitative and qualitative techniques. The Investment Adviser selects investments which have a proven ability in the field of investment management applicable to the Company. The selection process has regard to the risk management infrastructure, investment process, philosophy, corporate and management environment and relevant performance history and any key person dependency. From time to time, the Investment Adviser may add or replace underlying investments and/or adjust the percentage of an investment allocated to the Company.

Pursuant to the Investment Advisory Agreement with the Manager and the Company, the Investment Adviser provides professional services in the management of the Company and is authorised to transact on a fully discretionary basis a complete range of investment management transactions that are in accordance with the investment guidelines contained in the Investment Advisory Agreement.

The Custodian

State Street Custodial Services (Ireland) Limited has been appointed to act as Custodian of the Fund. The principal activity of the Custodian is to act as custodian of the assets of collective investment schemes. The Custodian is regulated by the Financial Regulator.

The Custodian is a private limited company incorporated in Ireland on 22 May 1991. The Custodian is ultimately owned by State Street Corporation. Its authorised share capital is GBP5,000,000 and its issued and paid up capital is GBP200,000. State Street Corporation is a leading world-wide specialist in providing sophisticated global investors with investment servicing and investment management. State Street is headquartered in Boston, Massachusetts, USA, and trades on the New York Stock Exchange under the symbol "STT"

The Custodian has agreed, on the terms and subject to the conditions of the Custodian Agreement, to act as custodian of the Company's investments, cash and other assets and to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians.

Fees and Expenses

Costs and expenses of the Roll Over Issue

The costs and expenses of and incidental to the issue of Shares pursuant to the Roll Over Issue will be payable by the Company and are expected to be £200,000. These expenses will be paid on or around September 2008.

Costs and expenses of the Issue

The costs and expenses of and incidental to the Issue (including the costs of printing the Prospectus, the fees and expenses of the Company's lawyers and sponsor and the expenses incurred in promoting the Shares), are payable by the Company and are expected to be approximately 1 per cent. by value of the Shares issued pursuant to the Issue. It is proposed that costs and expenses of the Issue and incidental to the Issue will be met by issuing Shares at a premium to the prevailing NAV per Share. If issuing Shares at a premium to the prevailing NAV per Share is insufficient to meet such costs and expenses any shortfall will be paid by the Manager. Consequently, there should be no dilution of the NAV per Share of Shares held by existing Shareholders as a result of the Issue. The Net Proceeds of the issue of Shares following the Issue will be invested by the Manager in accordance with the Company's investment policy.

Management and administration fees

The Manager is paid periodic fees and (if applicable) performance fees. The periodic fees payable in respect of the US Dollar Share class are paid monthly at a rate equivalent to 1.5 per cent. per annum of the value of the Company's net assets attributable to the US Dollar Shares and are paid in arrears. The periodic fees payable in respect of the Sterling Hedged Shares are paid monthly at a rate equivalent to 1.5 per cent. per annum of the value of the Company's net assets attributable to the Sterling Hedged Shares and are also paid in arrears. Periodic fees will be payable in respect of the Euro Hedged Shares (provided such Shares are issued) and will be paid monthly at a rate equivalent to 1.5 per cent. per annum of the value of the Company's net assets attributable to the Euro Hedged Shares and will be paid in arrears. Such fees will be paid by the Company to the Manager, out of which the Manager will discharge the fees of the Investment Adviser and Custodian. The Company will indirectly bear the management fees applying to underlying investee funds. These fees will be allocated proportionately to each of the US Dollar Share class, the Sterling Hedged Share class and (if applicable) the Euro Hedged Share class.

In addition, a performance fee is payable to the Manager if the following conditions are met:

In the case of the US Dollar Shares:

- (i) if the Net Asset Value per US Dollar Share (expressed in US Dollars) at the end of a 12 month period ending on 30 September (the "Performance Period") exceeds the Net Asset Value per US Dollar Share (expressed in US Dollars) at the end of any previous Performance Period; and
- (ii) if the percentage increase in the Net Asset Value per US Dollar Share (expressed in US Dollars) in the Performance Period exceeds the higher of (a) the prevailing level of US Dollar 3 Month LIBOR plus 100 basis points at the end of the Performance Period (subject to a cap of 10 per cent.) and (b) 1.5 per cent. (the "US Dollar Share Performance Hurdle").

In the case of the Sterling Hedged Shares:

- (i) if the Net Asset Value per Sterling Hedged Share (expressed in Sterling) at the end of a Performance Period exceeds the Net Asset Value per Sterling Hedged Share (expressed in Sterling) at the end of any previous Performance Period; and
- (ii) if the percentage increase in the Net Asset Value per Sterling Hedged Share (expressed in Sterling) in the Performance Period exceeds the higher of (a) the prevailing level of Sterling 3 Month LIBOR plus 100 basis points at the end of the Performance Period (subject to a cap of 10 per cent.) and (b) 1.5 per cent. (the "Sterling Hedged Share Performance Hurdle"); and
- (iii) if the Net Asset Value per Sterling Hedged Share at the end of the Performance Period is equal to, or greater than, 100 pence.

In the case of the Euro Hedged Shares (if such Shares are issued):

- (i) if the Net Asset Value per Euro Hedged Share (expressed in Euros) at the end of a Performance Period exceeds the Net Asset Value per Euro Hedged Share (expressed in Euros) at the end of any previous Performance Period;
- (ii) if the percentage increase in the Net Asset Value per Euro Hedged Share (expressed in Euros) in the Performance Period exceeds the higher of (a) the prevailing level of Euro 3 Month LIBOR plus 100 basis points at the end of the Performance Period (subject to a cap of 10 per cent.) and (b) 1.5 per cent. (the “Euro Hedged Share Performance Hurdle”); and
- (iii) if the Net Asset Value per Euro Hedged Share is equal to, or greater than, the Euro Hedged Share Issue Price.

If these conditions are met in respect of any class of Shares then a performance fee will be payable to the Manager (in respect of that class where the conditions are met) equal to 10 per cent. of the excess of the percentage increase in the Net Asset Value of the respective class of Shares in the Performance Period over the US Dollar Share Performance Hurdle or Sterling Hedged Share Performance Hurdle or Euro Hedged Share Performance Hurdle, as the case may be, multiplied by the number of Shares of the relevant class in issue at the last valuation point in the Performance Period being 5.00 p.m. (Guernsey time) on the last Business Day of the Performance Period. Any performance fee payable is subject to a cap equal to 4 per cent. of the Net Asset Value of the respective class of Share.

As a result of having three performance hurdles, one for each class of Share, it is possible that the performance achieved by the Manager may result in a performance fee being payable in relation to one class of Share but not the others.

The Manager does not receive any benefits from third parties in connection with managing the Company.

Custodian

The fees of the Custodian are paid by the Manager out of the periodic fee received by the Manager under the Management Agreement.

Allocation of fees and expenses

Each class of Shares is responsible for expenses relating to that class, for example payment of the relevant management and performance fee, but general expenses of the Company are apportioned between the two classes of Shares on a *pro rata* basis (and will be apportioned between the three classes on a *pro rata* basis if the Euro Hedged Shares are issued pursuant to the Rollover Issue).

Shares

The Articles grant discretion to the Board to issue the Shares with such preferred, deferred or other special rights or restrictions as the Board may determine. As at the date of this document, the Board has issued Shares designated as US Dollar Shares and Sterling Hedged Shares.

US Dollar Shares have a nominal value of 1p per Share although their share price is quoted in US Dollars. US Dollar Shares are entitled to the net assets of the Company attributable to the US Dollar Shares (based on the NAV of the US Dollar Shares) on a winding-up. All distributions payable to the holders of US Dollar Shares will be paid in US Dollars. As at 26 August 2008, the unaudited NAV per existing US Dollar Share, as calculated by the Manager, was US\$2.0025 (based on the NAV per US Dollar Share as at 15 August 2008, as published by the Company on 22 August 2008).

Sterling Hedged Shares have a nominal value of 1p per Share and their share price will be quoted in Sterling. Sterling Hedged Shares are entitled to the net assets of the Company attributable to Sterling Hedged Shares (based on the NAV of the Sterling Hedged Shares) on a winding-up. It is the intention of the Investment Adviser predominantly to continue to hedge the currency exposure of the assets of the Company attributable to the Sterling Hedged Shares into Sterling. The costs of providing the currency hedge or any profits derived therefrom are borne by the Sterling Hedged Share class and this is reflected in their NAV. All distributions payable to the holders of Sterling Hedged Shares will be paid in Sterling. As at 26 August 2008 the unaudited NAV per existing Sterling Hedged Share, as calculated by the Manager, was £1.0838 (based on the NAV per Sterling Hedged Share as at 15 August 2008, as published by the Company on 22 August 2008).

The Board has resolved that Shares designated as Euro Hedged Shares be issued pursuant to the Roll Over Issue and, if issued pursuant to the Roll Over Issue, the Issue.

Euro Hedged Shares (if issued pursuant to the Roll Over Issue) will have a nominal value of 1p per Share and their share price will be quoted in Euros. Euro Hedged Shares will be entitled to the net assets of the Company attributable to Euro Hedged Shares (based on the NAV of the Euro Hedged Shares) on a winding-up. It is the intention of the Investment Adviser to hedge the currency exposure of the assets of the Company attributable to the Euro Hedged Shares into Euros. The costs of providing the currency hedge or any profits derived therefrom will be borne by the Euro Hedged Share class and this will be reflected in their NAV. All distributions payable to the holders of Euro Hedged Shares will be paid in Euros.

The Shares will have the rights set out in paragraph 3 of Part V of this document.

Currency Hedging

Each class of Shares invests in the same portfolio, the value of which is allocated to each of the classes according to their proportionate interest in the portfolio. Accordingly, each class of Shares has its own Net Asset Value. The profits or losses from any currency hedges undertaken for the account of the Sterling Hedged Shares are borne by or credited to the Sterling Hedged Share class and reflected in the Net Asset Value of the Sterling Hedged Shares. The profits and losses of any currency hedging that will be undertaken for the account of the Euro Hedged Shares (if issued) will be borne or credited to the Euro Hedged Share class and reflected in the Net Asset Value of the Euro Hedged Shares.

The Company will seek to hedge the currency risk associated with the Sterling Hedged Shares and the Euro Hedged Shares. The Board and the Investment Adviser retain the right, from time to time, to vary the policy on currency hedging at their absolute discretion.

Purchases of Shares by the Company

In order to address any imbalance between the supply of, and demand for, Shares in the market, and to assist in maintaining a narrow discount to Net Asset Value at which the Shares may be trading the Directors may, at their sole discretion, repurchase Shares from time to time.

At the annual general meeting of the Company held on 5 June 2008, existing Shareholders passed a resolution granting the Company authority to make market purchases of up to 14.99 per cent. of its own issued Sterling Hedged Shares and US Dollar Shares. The Company's authority to make purchases of its own issued Sterling Hedged Shares and US Dollar Shares will expire at the conclusion of the annual general meeting of the Company in 2009. A renewal of the authority to make purchases of Sterling Hedged Shares and US Dollar Shares and a new authority to make purchases of Euro Hedged Shares (if issued pursuant to the Roll Over Issue) will be sought from Shareholders at each annual general meeting of the Company commencing in 2009 or earlier in a general meeting if the Directors so resolve. Purchases of Shares will be made within guidelines established from time to time by the Board. The timing of any purchases will be decided by the Board in the light of prevailing market conditions.

Purchases of US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares, as the case may be, will only be made through the market for cash at prices below the prevailing Net Asset Value of a Share of the relevant class, where the Directors believe such purchases will result in an increase in the Net Asset Value of the remaining Shares of the relevant class and to assist in narrowing any discount to Net Asset Value at which Shares may trade. Such purchases will only be made in accordance with the rules of the FSA, that currently provide that, for purchases of less than 15 per cent. of any class of equity securities, the price to be paid must not be more than the higher of (a) an amount equal to 105 per cent. of the average of the market values of the Shares of the relevant class for the 5 Business Days before the purchase is made and (b) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

The Tender Facility

Additionally, in order to assist further the narrowing of any discount to Net Asset Value at which the Shares of the relevant class may be trading, the Company has a twice yearly tender facility. It is within the Directors' absolute discretion whether to offer the share tender facility on any or all of the Tender Dates and whether to accept any tender offer applications.

Provided the Board exercises its discretion to allow Shareholders to tender their US Dollar Shares or Sterling Hedged Shares (or, if issued, Euro Hedged Shares) for purchase on any Tender Date, Shareholders will be entitled to have their Shareholding, up to the maximum specified by the Board, purchased by the Company at a price equal to the Net Asset Value per US Dollar Share, Sterling Hedged Share or Euro Hedged Share (less any tender costs), as appropriate, calculated as at the relevant Tender Date. This represents a Shareholder's Basic Entitlement. Shareholders may tender any percentage of their shareholding for purchase under the Tender Offer, but tenders in excess of the Basic Entitlement will only be satisfied to the extent that other Shareholders tender less than their Basic Entitlement. The number of Shares to be acquired by the Company pursuant to the tender facility on any Tender Date shall not exceed 25 per cent. of the number of Shares of such class in issue on such Tender Date. Tenders will be rounded down to the nearest whole number of Shares.

Purchases of Shares successfully tendered will be carried out on the London Stock Exchange and the Company shall be entitled to determine whether any Shares so purchased will be cancelled or held in treasury.

Further details of the tender facility are set out in paragraph 3 of Part V of this document.

Investors should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Company, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Company.

Share Conversion Facility

Shareholders are able, on the last Business Day of March and September in each year (and/or such other Business Days as the Board may determine), excluding any date on or before the date on which a resolution to wind up the Company has been passed, (each a "**Conversion Date**"), to convert Shares of one class in the Company into Shares of any other class (provided Shares of such class are in issue as at such date) by giving not less than 10 Business Days' notice to the Company in advance of the relevant Conversion Date, specifying the number and class of Shares to be converted from and the class of Shares into which they will be converted. Once such notice is given, it is irrevocable without the consent of the Board. The Board will determine the date on which conversion takes place, being no later than 20 Business Days after the relevant Conversion Date.

Should either: (i) the aggregate Net Asset Value of the Shares of any class as at the Net Asset Value Calculation Date fall below the Minimum Class Requirement; or (ii) the number of Shares in any class held in public hands (as such phrase is used in current Listing Rule 6.1.19(4)R) fall below 25 per cent. of the total number of issued Shares of that class, the Directors have the right, in their discretion, to require all Shareholders holding Shares of the relevant class to convert their Shares to another class on the next Conversion Date or any other Net Asset Value Calculation Date as they may nominate. Shareholders will be able to choose which of the remaining classes of Shares they would like their Shares to be converted to, provided that if no election is received prior to the date specified by the Directors they will be deemed to have elected for the conversion of their Shares to US Dollar Shares (where the affected class is the Sterling Hedged Share class) or to Sterling Hedged Shares (where the affected class is the Euro Hedged Share class or US Dollar Share class). If any class of Shares has ceased to exist at any Conversion Date, conversions to that class will not be permitted and, to the extent necessary, the deemed elections referred to above will be modified such that they are deemed to be elections to the class of Shares then in issue with the greatest aggregate Net Asset Value in US Dollar terms as at the corresponding Net Asset Value Calculation Date.

Conversion is effected on the basis of the ratio of the last reported Net Asset Value of the class of Shares held (less the cost of effecting such conversion) to the last reported Net Asset Value of the class of Shares into which they will be converted (each as at the relevant month-end Net Asset Value Calculation Date) and otherwise as set out in the Articles. Such ratio will be calculated using the prevailing currency exchange rate as at the relevant date. Conversion shall be effected by way of re-designation of Shares of one class into Shares of another class and if, as a result of the conversion, the Shareholder concerned is entitled to: (a) more Shares of the new class than the number of Shares of the original class, additional

Shares of the new class shall be allotted accordingly; or (b) fewer Shares of the new class than the number of Shares of the original class, the appropriate number of Shares of the original class shall be cancelled accordingly. Notwithstanding the above, conversion of one class of Shares into Shares of another class may be effected in such other manner permitted by applicable legislation as the Directors shall from time to time determine. Fractions of Shares arising on conversion will be rounded down. Further details of the Share conversion facility are set out in paragraph 3 of Part V of this document.

Distribution Policy

The Directors do not expect income (net of expenses) to be significant and do not currently expect to declare any dividends in the Company. In the event that net income is significant, the Directors may consider the distribution of net income in the form of dividends. To the extent that any dividends are paid, they will be paid in accordance with any applicable laws and regulations including, without limitation, the rules of the FSA and the London Stock Exchange.

Financial Statements

The Company's audited accounts are made up for the period to 30 September in each year. An unaudited interim report in respect of the first 6 months of each accounting period, i.e. to 31 March, is also sent to Shareholders.

Each month, the Net Asset Value of the Company is calculated by the Manager on a bid basis using data provided by the managers and administrators of the underlying hedge funds in which the Company invests, with the relevant valuation point being 5.00 p.m. (Guernsey time) on the last Business Day of each month. An announcement is made through a Regulatory Information Service within two Business Days of the Net Asset Value of a Share being determined. A further two estimated Net Asset Values are also calculated and published each month.

The calculation of the Net Asset Value will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

The Life of the Company

The Company was incorporated in August 2001 with a planned life of 10 years. At the annual general meeting of the Company in 2010, an ordinary resolution will be proposed to extend the life of the Company for a further 10 years and thereafter for subsequent 10 year periods.

Taxation

The Company has tax exempt status in Guernsey pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

Under current legislation in Guernsey, there is no liability to capital gains tax, wealth tax, capital transfer tax or estate or inheritance tax on the issue, transfer or realisation of Shares in the Company, nor is any stamp duty or similar tax payable in Guernsey on the issue or transfer of such Shares other than a capital duty assessed on the nominal value of the authorised share capital.

The Directors will continue to conduct the affairs of the Company with the intent of ensuring that it will not become resident in the United Kingdom for tax purposes. Whilst the Directors seek to minimise taxation, the income and capital gains of the Company may be subject to taxation at source.

Further information concerning the tax status of the Company and the taxation treatment of Shareholders resident in the United Kingdom or Guernsey is contained in paragraph 10 of Part V of this document.

If any existing or prospective Shareholders are in any doubt as to the taxation consequences of acquiring, holding or disposing of Shares, they should seek advice from their own independent financial advisers.

Conflicts of Interest

The Manager and the Investment Adviser and their respective officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Manager and the Investment Adviser may provide investment management, investment advice or other services in relation to a number of funds, that may have similar investment policies to that of the Company or funds in which the Company invests.

Each of these parties will have regard to its obligations under its agreement with the Company or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. Having regard to these obligations, the Company may buy investments from or sell investments to the Manager or the Investment Adviser only on an arm's length basis. In particular, the Manager will use its reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Manager, that fall within the Company's investment objective and policy on the best terms reasonably obtainable at the relevant time having regard to the interests of the Company.

It is not generally the intention of the Company to invest widely in funds advised or managed by the Manager or Investment Adviser. However, to the extent that the Company does invest in such funds, the Manager or Investment Adviser will rebate to the Company an appropriate proportion of any fee or other payment paid to the Manager or Investment Adviser or any associate (as defined in the rules of the FSA) of the Manager or Investment Adviser.

The Company may, on an arm's length basis, invest in funds managed or advised by other parts of the HSBC Group, other than the Manager or Investment Adviser, in which case no refund of fees will be made (unless available from the investee fund itself).

Paul Wrench is a Director of the Company and also a director of the Manager which is also the manager of various other investment funds. It is possible that the Company may invest in one or more funds whose portfolio is managed by the Manager. In these circumstances, such investments will be made by the Company on an arm's length basis with such funds and Mr Wrench will abstain from participating in any Board discussion and resolution approving an investment of the Company in a fund connected to Mr Wrench.

Each of Raymond Apsey and Keith Dorrian is a Director of the Company and is also involved in the management of various investment funds. It is possible that the Company may invest in one or more of such investment funds. In these circumstances, such investments will be made by the Company on an arm's length basis with such funds and Mr Apsey and Mr Dorrian will abstain from participating in any Board discussion and resolution approving an investment of the Company in a fund connected to Mr Apsey and Mr Dorrian respectively.

Prospective investors are referred to the risk factor headed "Potential conflicts of interest" on page 14 of this document.

PART II

ROLL OVER ISSUE

Background to the Roll Over Issue

HSBC European Absolute Limited is a Guernsey registered, closed-ended investment company which was launched in April 2001. The directors of HEAL, in conjunction with their advisers, have developed proposals which have been designed to satisfy the different requirements of HEAL shareholders as a whole. In summary, the proposals (which were announced by the board of HEAL on 27 August 2008 and full details of which are included in the circular sent to HEAL shareholders on 27 August 2008) are that:

- HEAL will be placed into voluntary liquidation.
- Holders of HEAL Sterling Hedged Shares and HEAL Euro Shares will have the option:
 - (a) to elect to roll part or all of their entitlement to the HEAL's assets, after providing for all its liabilities, into an investment in the Company without the payment of any commission, brokerage or initial charge or the crystallisation of any potential liability to UK taxation of chargeable gains; and/or
 - (b) to elect to realise part or all of their investment in HEAL and receive cash in the liquidation of HEAL.

Subject to the approval of the proposals by HEAL shareholders, holders of HEAL Sterling Hedged Shares and/or HEAL Euro Shares (other than those HEAL shareholders who are Excluded Overseas Holders for the purposes of the proposals) may elect for cash or a combination of cash and one of US Dollar Shares, Sterling Hedged Shares, or Euro Hedged Shares in respect of their HEAL Sterling Hedged Shares or HEAL Euro Shares.

Holders of HEAL Sterling Hedged Shares (other than holders of HEAL Sterling Hedged Shares who are Excluded Overseas Holders for the purposes of the proposals) who make no election (or who fail to make a valid election) will be deemed to have elected for Sterling Hedged Shares and holders of HEAL Euro Shares (other than holders of HEAL Euro Shares who are Excluded Overseas Holders for the purposes of the proposals) who make no election (or who fail to make a valid election) will be deemed to have elected for Euro Hedged Shares.

Allotment of Euro Hedged Shares is conditional on: (i) elections for Euro Hedged Shares pursuant to the Roll Over Issue being in aggregate for not less than €10 million by value (or such other amount as the Directors may determine) Euro Hedged Shares; and (ii) the issue of the Euro Hedged Shares satisfying the criteria for admission to the Official List of the UKLA and to trading on the main market of the London Stock Exchange (the "Euro Hedged Shares Admission Requirements").

HEAL shareholders who make an initial election for Euro Hedged Shares will be required to make an election of an alternative option (the "Alternative Election") to determine their election in the event that the Euro Hedged Shares Admission Requirements are not satisfied and no Euro Hedged Shares are issued. If a HEAL shareholder, who had made an initial election for Euro Hedged Shares, fails to make a valid Alternative Election, he will be deemed to have elected to receive cash in respect of all of his holding of HEAL Euro Shares and/or HEAL Sterling Hedged Shares.

Excluded Overseas Holders will not be able to make an election for Shares in the Company and will be deemed to have made an election for cash in respect of their entire holding of HEAL shares.

Transfer Portfolio

The liquidators of HEAL will transfer the assets of HEAL to the Company, other than those assets set aside by the liquidators to meet HEAL's liabilities (both actual and contingent), the estimated expenses of HEAL incurred in connection with the proposals and to satisfy payments to HEAL shareholders electing (or being deemed to have elected) to receive cash on the liquidation (including cash payments to be made to Excluded Overseas Holders) (the "Transfer Portfolio").

The Transfer Portfolio, which is expected to comprise a cash and gilts component and a portfolio of hedge funds and managed accounts exposed to alternative strategies investing predominantly in the UK and European markets, will be transferred to the Company in consideration for the issue of US Dollar Shares, Sterling Hedged Shares and/or Euro Hedged Shares by the Company to those HEAL shareholders who have (or are deemed to have) elected for Shares in the Company.

Transfer Agreement

The Transfer Agreement is expected to be entered into on the date the liquidation of HEAL becomes effective (expected to be 24 September 2008 (the “Effective Date”)) between HEAL, the liquidators of HEAL, the Manager and the Company.

The Transfer Agreement provides, *inter alia*, that the Transfer Portfolio be transferred to the Company in consideration for the issue of Shares by the Company to the HEAL shareholders entitled to them under the terms of the scheme of reconstruction contained in the Circular sent to HEAL shareholders on 27 August 2008.

HEAL will comply with all reasonable requests made by the Company in respect of the Transfer Portfolio to be transferred to it and, in particular, shall account for income, dividends, distributions, interest and other rights received after the Effective Date in respect of the Transfer Portfolio (except where these are quoted ex-dividend and the dividend accrued or where the relevant income has otherwise been recognised for accounting purposes prior to the Effective Date). The Transfer Agreement excludes any liability on the part of the liquidators of HEAL for entering into or carrying into effect the Transfer Agreement.

Shares to be issued to current HEAL shareholders

The number of Sterling Hedged Shares to which each HEAL Sterling Hedged Shareholder and/or HEAL Euro Shareholder shall be entitled will be calculated by dividing the value of the assets in the Transfer Portfolio attributable to the HEAL Sterling Hedged Shares that have elected for Sterling Hedged Shares (“HEAL Sterling A Shares”) or those attributable to the HEAL Euro Shares that have elected for Sterling Hedged Shares (“HEAL Euro A Shares”) respectively, by the Net Asset Value of a Sterling Hedged Share as at 30 September 2008 (as published by the Company on or around 15 October 2008) multiplied by the aggregate number of either HEAL Sterling A Shares or HEAL Euro A Shares held by the relevant HEAL shareholder divided by the total number of either HEAL Sterling A Shares or HEAL Euro A Shares.

The number of US Dollar Shares to which each HEAL Sterling Hedged Shareholder and/or HEAL Euro Shareholder shall be entitled will be calculated by dividing the value of the assets in the Transfer Portfolio attributable to the HEAL Sterling Hedged Shares that have elected for US Dollar Shares (“HEAL Sterling B Shares”) or those attributable to the HEAL Euro Shares that have elected for US Dollar Shares (“HEAL Euro B Shares”) respectively, by the Net Asset Value of a US Dollar Share as at 30 September 2008 (as published by the Company on or around 15 October 2008) multiplied by the aggregate number of either HEAL Sterling B Shares or HEAL Euro B Shares held by the relevant HEAL shareholder divided by the total number of either HEAL Sterling B Shares or HEAL Euro B Shares.

The number of Euro Hedged Shares to which each HEAL Sterling Hedged Shareholder and/or HEAL Euro Shareholder shall be entitled will be calculated by dividing the value of the assets in the Transfer Portfolio attributable to the HEAL Sterling Hedged Shares that have elected for Euro Hedged Shares (“HEAL Sterling C Shares”) or those attributable to the HEAL Euro Shares that have elected for Euro Hedged Shares (“HEAL Euro C Shares”) respectively, by the Net Asset Value of a US Dollar Share as at 30 September 2008 (as published by the Company on or around 15 October 2008) (as converted into Euros on the spot exchange rate) multiplied by the aggregate number of either HEAL Sterling C Shares or HEAL Euro C Shares held by the relevant HEAL shareholder divided by the total number of either HEAL Sterling C Shares or HEAL Euro C Shares.

Based on the net asset value of Sterling Hedged Shares and the net asset value of HEAL as at the close of business on 15 August 2008 (being the date of the most recent net asset value available for both Sterling Hedged Shares and HEAL, as published by the Company and HEAL respectively on 22 August 2008) it is estimated that if all holders of HEAL Sterling Hedged Shares and HEAL Euro Shares elect to receive Sterling Hedged Shares in the Company in respect of their entire holdings, 44,049,180 Sterling Hedged Shares would be issued pursuant to the Roll Over Issue in exchange for HEAL transferring to the Company assets with a value of approximately £47,740,501.70.

Based on the net asset value of US Dollar Shares and the net asset value of HEAL as at the close of business on 15 August 2008 (being the date of the most recent net asset value available for both US Dollar Shares and HEAL, as published by the Company and HEAL respectively on 22 August 2008) it is estimated that if all holders of HEAL Sterling Hedged Shares and HEAL Euro Shares elect to receive US Dollar Shares in the Company in respect of their entire holdings, 44,180,669 US Dollar Shares would be issued pursuant to the Roll Over Issue in exchange for HEAL transferring to the Company assets with a value of approximately \$88,471,790.66.

Based on the net asset value of US Dollar Shares (as converted into Euros at the FX rate on 25 August 2008) and the net asset value of HEAL as at the close of business on 15 August 2008 (being the date of the most recent net asset value available for both US Dollar Shares and HEAL, as published by the Company and HEAL respectively on 22 August 2008) it is estimated that if all holders of HEAL Sterling Hedged Shares and HEAL Euro Shares elect to receive Euro Hedged Shares in the Company in respect of their entire holdings, 44,179,740 Euro Hedged Shares would be issued pursuant to the Roll Over Issue in exchange for HEAL transferring to the Company assets with a value of approximately €59,963,352.62.

The assets actually received by the Company pursuant to these arrangements will depend principally upon how many holders of HEAL Sterling Hedged Shares and HEAL Euro Shares elect to roll-over their investment into the Company. The number of US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares actually issued will depend on the number of elections made for them pursuant to the Roll Over Issue. Since elections under the Roll Over Issue are entirely at the discretion of the HEAL shareholders and the directors of HEAL are not making any recommendation to HEAL shareholders as to which option they should choose, the Directors cannot estimate or forecast how many US Dollar Shares, Sterling Hedged Shares and/or Euro Hedged Shares will be issued.

Miscellaneous

The details of the Roll Over Issue are not material to Shareholders and full details are, in any event, included in the circular sent to HEAL shareholders, the contents of which are the responsibility of the directors of HEAL and not the Directors, which was sent to HEAL shareholders on 27 August 2008.

The Company has and will continue to have no subsidiary companies and will not become part of any group of companies on implementation of the Roll Over Issue. Furthermore, and notwithstanding the implementation of the Roll Over Issue, the Company has never had, and will continue not to have, any employees.

Conditions

The Roll Over Issue and the Transfer Agreement are subject to, *inter alia*, the passing of resolutions by shareholders of HEAL approving the scheme and placing HEAL into voluntary liquidation to be proposed at an extraordinary general meeting of HEAL on 24 September 2008 (or any adjournment of that meeting). The Roll Over Issue is conditional on the liquidation of HEAL becoming effective.

Dealings

Application has been made to the UK Listing Authority for all US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares to be issued pursuant to the Roll Over Issue to be admitted to listing on the Official List and application has been made to the London Stock Exchange for all US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares to be issued pursuant to the Roll Over Issue to be admitted to trading on the main market. Application has been made to the Channel Islands Stock Exchange for all US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares in the Company

to be issued pursuant to the Roll Over Issue to be admitted to the official list of the Channel Islands Stock Exchange. It is expected that such Admission will become effective and that dealings in the US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares allotted pursuant to the Roll Over Issue will commence on 29 October 2008.

The Shares will be in registered form and may be issued in certificated or uncertificated form. Share certificates will not be issued unless specifically requested otherwise. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of Shares in certified form will be certificated against the share register. All documents or remittances sent by or to a subscriber of Shares (or his agent as appropriate) will be sent by post at the risk of the subscriber.

The ISIN number and SEDOL code for the US Dollar Shares are GB00B03QH698 and B03QH69 respectively.

The ISIN number and SEDOL code for the Sterling Hedged Shares are GB00B03QH474 and B03QH47 respectively.

The ISIN number and SEDOL code for the Euro Hedged Shares are GB00B3CLG478 and B3CLG47 respectively.

CREST

The new Shares will be eligible for settlement through CREST once issued. Under the Roll Over Issue, the Shares allocated will be transferred to investors through the CREST system unless otherwise stated. Member firms will be requested to give their CREST settlement details.

The Company will arrange for CRESTCo to be instructed to credit the appropriate CRESTCo accounts of the subscribers concerned or their nominees with their respective entitlements to Shares when appropriate. The names of subscribers or their nominees that invest through their CRESTCo accounts will be entered directly on to the share register of the Company.

Transfer of Shares

The transfer of Shares outside the CREST system following the issue of Shares pursuant to the Roll Over Issue should be arranged directly through CREST. However, a shareholder's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of a beneficial owner to CREST for share certificates or an uncertificated holding in definitive registered form.

If a Shareholder or transferee requests Shares to be issued in certificated form and is holding such Shares outside CREST, a share certificate will be dispatched either to him/her or his/her nominated agent (at his/her own risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Shares. Shareholders holding definitive certificates may elect at a later date to hold their Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

PART III

ISSUE ARRANGEMENTS

The Issue

The Directors, following discussions with the Manager and the Investment Adviser, have decided to seek to increase the size of the Company through the issue of US Dollar Shares, Sterling Hedged Shares and, if Euro Hedged Shares are issued pursuant to the Roll Over Issue, Euro Hedged Shares. There are currently no Euro Hedged Shares issued by the Company and if such Shares are issued they will be an entirely new class of Shares in the Company. As at the date of this document, the actual number of Shares to be subscribed under the Issue is not known. The maximum number of Shares available for issue under the Issue should not be taken as an indication of the number of Shares finally to be issued.

The first Offer Period is expected (subject to the Directors resolving otherwise at their sole discretion) to open on 3 November 2008 and close on 18 November 2008. Thereafter Offer Periods are expected (subject to the Directors resolving otherwise at their sole discretion) to open on the first Business Day of each month and close on or around the 19th calendar day of such month. The last Offer Period is expected to close at 5.00 p.m. on 18 August 2009. Whether or not new Shares are to be issued in respect of any Offer Period will be determined by the Directors in their absolute discretion in the light of demand for such Shares. Commitments for Shares in the Issue must be received by Landsbanki (as placing agent to the Company and the Issue) no later than the time and date notified by the Company for each Offer Period. Multiple applications will be permitted.

The Company's primary rationale for the Issue is to grow the Company and enhance prospects for liquidity for Shareholders. Enlarging the Company will also mean that the fixed costs of operating the Company will be spread across a greater number of assets. The proceeds of the Issue will be invested in short-term money-market instruments (including gilts) and cash with institutions that are rated A1 (or above) by Standard & Poor's or an equivalent rating agency pending full investment in hedge funds in accordance with the Company's investment policy. The Investment Adviser will have the opportunity to allocate the Net Proceeds of the Issue among existing hedge fund investments of the Company and new attractive hedge fund investment opportunities, as the Investment Adviser thinks appropriate, in accordance with the Company's investment policy.

Price

The Issue Price of each new Share issued in respect of any Offer Period will be at least the Net Asset Value per Share of the relevant class as at the immediately preceding month end, adjusted to allow for the costs and expenses of the Issue. Any premium to the NAV per Share at which Shares are issued will be used to meet the costs and expenses of the Issue and then to the benefit of the existing Shareholders. In relation to each issue of Shares pursuant to the Issue, the estimated Net Asset Values will, for these purposes, be calculated as at each month end in accordance with the Company's stated calculation methodology as set out under "Financial Statements" on page 34 of this document.

General

The Directors have set the size of the Issue at such a level so as to minimise the risk of scaling back subscriptions for Shares pursuant to the Issue. In the event that subscriptions in relation to any particular issue of Shares pursuant to the Issue exceed the maximum number of Shares available under the Issue at the relevant time, the Directors will scale back subscriptions *pro rata*, with no priority between different categories of investor. Any excess subscription monies resulting from any such scaling back will be returned (without interest) by crossed cheque in favour of the first named applicant by post at the applicant's risk. The Issue is not underwritten and, as at the date of this document, the actual number of Shares to be subscribed under the Issue is not known. The maximum number of Shares available for issue under the Issue should not be taken as an indication of the number of Shares finally to be issued.

In the event that there are any significant changes affecting any of the matters described in this document or where a significant new matter has arisen after the publication of this document and prior to Admission, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the change(s) or the new matter.

Minimum Subscription

The minimum application in respect of each Offer Period under the Issue is for US\$2,000 in the case of US Dollar Shares, £2,000 in the case of Sterling Hedged Shares and €2,000 in the case of Euro Hedged Shares and subject to a minimum aggregate application in respect of each Offer Period of US\$25,000 (or its equivalent). The minimum initial application amount in respect of the Shares, whether per class or for each Offer Period, may be waived at the sole discretion of the Company.

Dilution

The Issue Price of each new Share issued in respect of any Offer Period will be at least the Net Asset Value per Share of the relevant class as at the immediately preceding month end, adjusted to allow for the costs and expenses of the Issue. It is not therefore expected that the Net Asset Value of the Shares in issue prior to any issue of new Shares will be diluted.

Conditions

Each issue of Shares pursuant to each Offer Period comprised in the Issue is conditional on admission of the relevant Shares so issued. In circumstances in which this condition is not fully met, the offer of Shares pursuant to that issue may be revoked. In addition, the Directors may decide, in their absolute discretion, not to make an issue of Shares pursuant to the Issue if it is not in the best interests of the Company.

No Euro Hedged Shares will be offered pursuant to the Issue if Euro Hedged Shares are not issued pursuant to the Roll Over Issue. The issue of Euro Hedged Shares pursuant to the Roll Over Issue is conditional on the Euro Hedged Shares Admission Requirements being met (for further information, see the paragraph headed “Background to the Roll Over Issue” on page 36 of this document).

Dealings

Investors will be informed of the method and timing of payment for Shares by the Company prior to each issue of Shares.

Applications for admission of the relevant Shares to the Official List and the Channel Islands Stock Exchange and to trading on the London Stock Exchange will be made in relation to each issue of Shares pursuant to the Issue prior to such issue. A regulatory information service announcement will be made in respect of each issue of Shares. Shares will be in registered form and may be issued in certificated or uncertificated form. Share certificates will not be issued unless specifically requested otherwise. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of Shares in certified form will be certificated against the share register. All documents or remittances sent by or to a subscriber of Shares (or his agent as appropriate) will be sent by post at the risk of the subscriber.

The ISIN number and SEDOL code for the Sterling Hedged Shares are GB00B03QH474 and B03QH47 respectively.

The ISIN number and SEDOL code for the US Dollar Shares are GB00B03QH698 and B03QH69 respectively.

The ISIN number and SEDOL code for the Euro Hedged Shares are GB00B3CLG478 and B3CLG47 respectively.

CREST

The new Shares will be eligible for settlement through CREST once issued. Under the Issue, the Shares allocated will be transferred to investors through the CREST system unless otherwise stated. Member firms will be requested to give their CREST settlement details on the relevant placing letter.

The Company will arrange for CRESTCo to be instructed to credit the appropriate CRESTCo accounts of the subscribers concerned or their nominees with their respective entitlements to Shares when appropriate. The names of subscribers or their nominees that invest through their CRESTCo accounts will be entered directly on to the share register of the Company.

Market for Shares

Each of ABN AMRO Bank NV, HSBC Bank Plc, Landsbanki Securities (UK) Ltd and Winterflood Securities Limited act as market-makers with respect to both the Sterling Hedged Shares and the US Dollar Shares (and may act as market makers in respect of the Euro Hedged Shares if such Shares are issued). It is expected that most or all of the trading in the Shares (if any) will occur on the London Stock Exchange's main market for listed securities. Following the Issue, Shares may be purchased from, and sold through, the market-makers. The Company does not guarantee that at any particular time the market-makers will be willing to make a market in the Shares, nor does it guarantee the price at which a market will be made. Accordingly, the dealing price of the Shares may not necessarily reflect changes in the relevant Net Asset Value per Share.

Settlement

Payment for Shares issued under the Issue will be made through CREST or through Landsbanki, in any such case in accordance with settlement instructions to be notified to subscribers by Landsbanki. In the case of those subscribers not using CREST, monies received by Landsbanki will be held in a segregated client account pending settlement.

To the extent that any application is rejected in whole or in part, monies received will be returned without interest at the risk of the applicant.

Placing Agreement

In the event that a placing agent is specifically appointed in connection with the Issue and/or it is deemed necessary by the Directors, a placing agreement will be entered into by the Company and such placing agent. The Company will issue a supplementary prospectus which will contain a description of any such placing agreement.

Transfer of Shares

The transfer of Shares outside the CREST system following each issue of Shares pursuant to the Issue should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of a beneficial owner to CREST for share certificates or an uncertificated holding in definitive registered form.

If a Shareholder or transferee requests Shares to be issued in certificated form and is holding such Shares outside CREST, a share certificate will be dispatched either to him/her or his/her nominated agent (at his/her own risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Shares. Shareholders holding definitive certificates may elect at a later date to hold their Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

United States

Each purchaser of the Shares offered hereby in reliance on Regulation S will be deemed to have represented and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that it will not reoffer, resell, pledge or otherwise transfer or deliver any of its Shares, directly or indirectly, within the United States, or to, or for the

account or benefit of, any US person, except in transactions that are exempt from registration under the Securities Act and under circumstances which will not require the Company to register as an investment company under the Investment Company Act.

Each purchaser of the Shares will be further deemed to have represented, acknowledged and agreed that each Share offered and sold in certificated form will contain a legend substantially to the following effect unless otherwise agreed by the Company in accordance with applicable law:

THE COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). IN ADDITION, THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. CONSEQUENTLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR AN EXEMPTION THEREFROM, AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

PART IV

FINANCIAL INFORMATION

Interim Financial Information

Copies of the unaudited interim financial information of the Company for the six months ended 31 March 2008 are available for inspection at the addresses set out in paragraph 18 of Part V of this document.

Historical Financial Information

The Company produced year end audited accounts to 30 September 2007 in accordance with International Financial Reporting Standards. Financial year end audited accounts for 2006 and 2005 were produced in accordance with UK Generally Accepted Accounting Principles. The Company has produced restated accounts for the financial years ending 2006 and 2005 and such accounts are set out below on pages 46 to 63 of this document. KPMG (Dublin) has produced an accountants report in respect of the consolidated financial information which is set out below under the heading "Accountant's Report".

Accountant's Report



KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

The Directors
HSBC Global Absolute Limited
St Martin's House
Le Bordage
St Peter Port
Guernsey GY1 1BP

Dear Sirs

HSBC Global Absolute Ltd (the "Company")

We report on the financial information set out on pages 46 to 63. This financial information has been prepared for inclusion in the prospectus dated 27 August 2008 of HSBC Global Absolute Limited on the basis of the accounting policies set out in the notes to the financial information. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of HSBC Global Absolute Limited are responsible for preparing the financial information on the basis of preparation set out in note 1(b) to the financial information and in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

KPMG, a partnership established under Irish law, is the Irish member firm of KPMG international, a Swiss cooperative



Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 27 August 2008, a true and fair view of the state of affairs of HSBC Global Absolute Limited as at 30 September 2007, 30 September 2006 and 30 September 2005 and of its results and cash flows for the years then ended in accordance with the basis of preparation set out in note 1(b) and in accordance with IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

A handwritten signature in blue ink that reads 'KPMG'.

KPMG Dublin

Date: 19 August 2008

Income statement for the years ended 30 September 2005, 2006 and 2007

		2005	2006	2007
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net gain on investments	2	5,977	7,215	19,125
Net foreign exchange gain	3	2,891	1,344	3,581
Interest income		20	22	68
Net investment income		<u>8,888</u>	<u>8,581</u>	<u>22,774</u>
Management fee	8	(1,367)	(1,524)	(2,134)
Performance fee	8	(423)	(181)	(794)
Audit fees		(14)	(14)	(14)
Directors fees and expenses		(85)	(87)	(87)
Other operating expenses		(99)	(112)	(173)
Operating expenses before finance costs		<u>(1,988)</u>	<u>(1,918)</u>	<u>(3,202)</u>
Net income from operations before finance costs		6,900	6,663	19,572
Interest expense		(82)	(55)	(285)
Profit for the year		<u><u>6,818</u></u>	<u><u>6,608</u></u>	<u><u>19,287</u></u>

See accompanying notes to financial information

Statement of Changes in Shareholders' Equity for the years ended 30 September 2005, 2006 and 2007

	<i>Redeemable Preference Shares</i>				<i>Total US\$ '000</i>
	<i>Nominal shares US\$ '000</i>	<i>Share capital US\$ '000</i>	<i>Share premium US\$ '000</i>	<i>Retained earnings US\$ '000</i>	
Balance at 30 September 2004	1,595	1,110	124,828	(32,046)	95,487
Profit for the year ended					
30 September 2005	—	—	—	6,818	6,818
Issue of Shares	212	—	—	—	212
Redemption of Shares	—	(291)	(22,837)	—	(23,128)
Balance at 30 September 2005	<u>1,807</u>	<u>819</u>	<u>101,991</u>	<u>(25,228)</u>	<u>79,389</u>
Profit for the year ended					
30 September 2006	—	—	—	6,608	6,608
Issue of Shares	—	340	31,287	—	31,627
Redemption of Shares	(188)	(38)	(3,371)	—	31,627
Balance at 30 September 2006	<u>1,619</u>	<u>1,121</u>	<u>129,907</u>	<u>(18,620)</u>	<u>114,027</u>
Profit for the year ended					
30 September 2007	—	—	—	19,287	19,287
Issue of Shares	71	363	33,976	—	34,410
Redemption of Shares	—	(296)	(29,473)	—	(29,769)
Balance at 30 September 2007	<u><u>1,690</u></u>	<u><u>1,188</u></u>	<u><u>134,410</u></u>	<u><u>667</u></u>	<u><u>137,955</u></u>

See accompanying notes to financial information

Balance Sheet as at 30 September 2005, 2006 and 2007

	Note	2005 US\$ '000	2006 US\$ '000	2007 US\$ '000
Assets				
Cash at bank		37	65	4
Financial assets at fair value	4	79,948	111,931	133,558
Other receivables	5	2,956	2,827	12,257
Derivative financial instruments	12	—	—	258
Total assets		<u>82,941</u>	<u>114,823</u>	<u>146,077</u>
Liabilities				
Derivative financial instruments	12	(63)	(304)	—
Loans payable	8	—	—	(7,131)
Accounts and accrued expenses	6	(3,489)	(492)	(991)
Total liabilities		<u>(3,552)</u>	<u>(796)</u>	<u>(8,122)</u>
Net assets		<u>79,389</u>	<u>114,027</u>	<u>137,955</u>
Equity:				
Share capital	8	819	1,121	1,188
Share premium	8	101,991	129,907	134,410
Nominal shares	8	1,807	1,619	1,690
Retained earnings		(25,228)	(18,620)	667
		<u>79,389</u>	<u>114,027</u>	<u>137,955</u>
US\$ redeemable participating preference shares				
– net assets value per share based on 38,032,084				
(2006: 42,351,149 (2007: 49,161,576))				
shares outstanding		US\$2.0199	US\$1.7908	US\$1.6825
GBP Hedged redeemable participating shares				
– net assets value per share based on 8,527,229				
(2006: 20,361,902 (2007: 16,886,828))				
shares outstanding		£1.0789	£0.9604	£0.9064

See accompanying notes to financial information

Statement of Cash Flows for the years ended 30 September 2005, 2006 and 2007

	2005 US\$'000	2006 US\$'000	2007 US\$'000
Profit for the year	6,818	6,608	19,287
Adjustments for:			
Net realised gain on investments	55	(5,833)	(9,262)
Net unrealised gain on investments	(6,032)	(1,382)	(9,863)
Net movement in unrealised (loss)/gain on forward foreign currency contracts	(2,720)	242	(563)
(Increase)/decrease in debtors	(221)	1	(70)
Increase/(decrease) in creditors	369	(190)	499
Net cash inflow/(outflow) from operating activities	<u>(1,731)</u>	<u>(554)</u>	<u>28</u>
Investing activities:			
Purchase of financial assets at fair value through profit or loss	(19,302)	(48,069)	(73,061)
Sale of financial assets at fair value through profit or loss	44,022	23,240	61,270
Net cash outflow from investing activities	<u>24,720</u>	<u>(24,829)</u>	<u>(11,791)</u>
Financing activities:			
Repayment of loans	(3,218)	(9,627)	(59,493)
New loans advanced	3,050	6,820	66,624
Proceeds from issue of redeemable participating preference shares	—	31,627	34,340
Amounts paid on redemption of redeemable participating preference shares	(23,128)	(3,409)	(29,769)
Net cash inflow from financing activities	<u>(23,296)</u>	<u>25,411</u>	<u>11,702</u>
Net (Decrease)/Increase in cash and cash equivalents	2005 US\$'000	28	(61)
Cash and Cash equivalents at start of year	6,818	37	65
Cash and Cash equivalents at end of year	<u> </u>	<u>65</u>	<u>4</u>
<i>Supplementary Information:</i>			
Interest received	20	22	68
Interest paid	(82)	(56)	(284)

See accompanying notes to financial information

Notes to the financial information

1 Significant Accounting Policies

HSBC Global Absolute Limited (the “Fund”) is a close-ended investment fund incorporated as a limited liability company under the Companies (Guernsey) Laws 1994 to 1996 of Guernsey on 14 August 2001. The Fund’s shares are listed on the London Stock Exchange.

The objective of the Fund is to provide shareholders with an absolute total return and with a lower volatility than equities in general through a simple structure and diversified portfolio managed by an experienced investment team. The Fund’s investment policy is to invest in hedge funds and hedge fund strategies managed by a number of different investment managers which invest globally. The Investment Adviser will seek to achieve this by investing in a diversified portfolio of holdings in hedge funds and managed accounts exposed to long/short strategies investing in global markets.

a) *Statement of Compliance*

The financial information have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 September 2007, and have not been applied in preparing this consolidated financial information:

IFRS 7 Financial Instruments: Disclosures – replaces the disclosure requirements to the Fund’s financial instruments and redeemable participating shares. It requires the disclosure of qualitative and quantitative information about exposures to risks arising from financial instruments, including specified minimum disclosures about credit, liquidity and market risks, including sensitivity analysis to market risk. Application of this standard will not affect any amount recognised in the financial information, but will impact the type of information disclosed in relation to the Fund’s financial instruments. This standard will be applied from 1 October 2007.

IFRS 8 Operating Segments introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory on 1 January 2009, will require the disclosure of segment information. As the Fund is organised and operates as one segment, it is anticipated that segment reporting will not apply. Consequently no segment reporting will be provided in the Fund’s financial information.

b) *Basis of preparation*

The accounting policies set out below have been applied consistently to all periods presented in these financial information and in preparing an opening IFRS balance sheet at 1 October 2005 for the purposes of the transition to IFRSs.

The financial information is presented in U.S. dollars and rounded to the nearest thousand dollars and not the local currency of the Guernsey reflecting the fact that the majority of the Classes’ assets and liabilities are denominated in U.S. dollars. They are prepared on a fair value basis for derivative financial instruments, financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost.

The preparation of financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Fund.

c) ***Foreign Currency Translation***

Transactions in foreign currencies, other than U.S. dollars, are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Foreign currency exchange differences relating to investments at fair value through the profit or loss and derivative financial instruments are included in net gains and losses on investments and net foreign exchange gains and losses, respectively.

d) ***Financial Instruments***

(i) ***Classification***

IAS 39 establishes specific categories into which all financial assets and liabilities must be classified. The classification of financial instruments dictates how these assets and liabilities are subsequently measured in the financial information. There are four categories of financial assets: assets at fair value through profit or loss, available for sale, loans and receivables and held to maturity.

The Fund has adopted the amended IAS 32 and 39 and designated all its debt and equity investments into financial assets at fair value through profit or loss category. The category of financial assets and financial liabilities through profit or loss comprises:

- Financial instruments held for trading which include forward contracts. All derivatives in a net receivable position (positive fair value) are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities held for trading.
- Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. This includes investments in investment funds.

Financial assets that are classified as loans and receivables include accounts receivable and Equalisation paid on investments.

Financial liabilities that are not at fair value through profit or loss include accounts payable.

(ii) ***Recognition***

Financial assets and liabilities are recognised on the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(iii) ***Measurement***

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) *Fair value measurement principles*

The fair value of financial instruments traded in active markets is based on quoted market bid prices at the balance sheet date. The fair value of investments in investment funds is based on the net asset value per share of the underlying investment funds as at the balance sheet date as advised by the fund administrators of those funds.

The Fund may from time to time invest in financial instruments that are not traded on an active market. The fair value of such instruments is determined by using appropriate valuation techniques, which in the opinion of the directors, provide the best estimates of the fair value of such investments.

(v) *Impairment*

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the income statement.

(vi) *Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund uses the first in first out ("FIFO") method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(vii) *Specific instruments*

Cash and cash equivalents

Cash comprises cash balances and call deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Forward contracts

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts are valued by reference to the forward price at which a new contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward contracts is calculated as the difference between the contract rate and this forward price (the rate to close out the contract). Unrealised gains and losses on forward contracts are recognised in the income statement and reported in the Balance Sheet as an asset or a liability respectively.

e) *Revenue and Expenses*

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured. Expenses are accounted for on an accruals basis.

Interest income and expense is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

f) **Shares**

The Fund has a twice yearly redemption facility under which, subject to certain limitations and the Directors exercising their discretion to operate the facility, investors are provided the opportunity to request redemption for cash at the value proportionate to the investor's share in the Fund's net assets at the redemption date. The Directors meet regularly to consider the operation of the redemption facility in the light of prevailing market conditions, shareholder sentiment and legal constraints.

The Fund also has a twice yearly conversion facility under which, subject to certain limitations and the Directors exercising their discretion to operate the facility, investors are provided the opportunity to convert shares of either class into shares of the other class. Such conversion will be on the basis of the ratio of the last reported net asset value of the class of shares held to the last reported net asset value of the class of shares into which they will be converted and otherwise as set out in the Company's articles of association.

2 Gains and Losses on Investments

The gains and losses on investments during the year comprise:

	<i>2005</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>	<i>2007</i> <i>US\$'000</i>
Net gains on investments	5,977	7,215	19,125
Net realised gain/(losses) on investments	(55)	5,833	9,262
Net unrealised gains on investments	6,032	1,382	9,863
	<u>5,977</u>	<u>7,215</u>	<u>19,125</u>

3 Net Foreign Exchange Gain

	<i>2005</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>	<i>2007</i> <i>US\$'000</i>
Gain on translation	3,034	—	—
Net movement in unrealised gain/(losses) on forward foreign currency contracts	(64)	(242)	563
Realised currency gain/(losses)	(79)	1,586	3,018
	<u>2,891</u>	<u>1,344</u>	<u>3,581</u>

4 Financial Assets at Fair Value

	<i>2005</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>	<i>2007</i> <i>US\$'000</i>
Cost	71,190	98,754	107,671
Unrealised surplus	8,758	13,177	25,887
Fair value at year end	<u>79,948</u>	<u>111,931</u>	<u>133,558</u>

5 Other Receivables

	2005 US\$'000	2006 US\$'000	2007 US\$'000
Amounts paid in advance of securities purchased	1,100	1,000	10,455
Amounts receivable on securities sold	11	52	75
Amounts due from Investment Manager	1,807	1,619	1,689
Equalisation paid on investments	—	151	37
Other debtors	38	5	1
	<u>2,956</u>	<u>2,827</u>	<u>12,257</u>

6 Accounts Payable and Accrued Expenses

	2005 US\$'000	2006 US\$'000	2007 US\$'000
Loans Payable	(2,807)	—	—
Accrued directors' fees	(64)	(85)	(31)
Accrued expenses due to Manager	(106)	(151)	(153)
Accrued performance fee	(423)	(181)	(794)
Other accrued expenses	(89)	(75)	(13)
	<u>(3,489)</u>	<u>(492)</u>	<u>(991)</u>

7 Share Capital

The authorised shares of the Fund as at 30 September 2007 were:

	2005 GBP	2006 GBP	2007 GBP
100 Founder Shares of GBP1 each	100	100	100
400,000,000 Shares of GBP0.01	4,000,000	4,000,000	4,000,000
100,000,000 Unclassified Shares of GBP0.01	1,000,000	1,000,000	1,000,000
	<u>5,000,100</u>	<u>5,000,100</u>	<u>5,000,100</u>

On incorporation, 2 Founder Shares were allotted to the subscribers to the Memorandum of Association. As Founder Shares are not participating shares of the Fund and do not form part of the Net Asset Value of the Fund, they are disclosed in this financial information by way of this note only. The Unclassified Shares may be allotted and issued as Shares or Nominal Shares.

The movement in shares during the year to 30 September 2005 is shown below:

	Nominal Shares	Redeemable Participating Preference Shares GBP class	Redeemable Participating Preference Shares US\$ Class	Redeemable Participating Preference Shares Sterling Hedged Class
Number of shares at 1 October 2004	88,007,153	61,281,804	—	—
Transfer to US Dollar shares	—	(50,921,244)	50,921,244	—
Transfer to Sterling Hedged Shares	—	(10,360,560)	—	10,360,560
Number of shares issued	14,722,491	—	—	—
Number of shares redeemed	—	—	(12,889,160)	(1,833,331)
Number of shares at 30 September 2005	<u>102,729,644</u>	<u>—</u>	<u>38,032,084</u>	<u>8,527,229</u>

The movement in shares during the year to 30 September 2006 is shown below:

	Nominal Shares	Redeemable Participating Preference Shares US\$ Class	Redeemable Participating Preference Shares Sterling Hedged Class
Number of shares at 1 October 2005	102,729,644	38,032,084	8,527,229
Number of shares issued	2,005,615	6,169,320	11,990,033
Number of shares redeemed	(18,159,353)	(1,850,255)	(155,360)
Number of shares at 30 September 2006	<u>86,575,906</u>	<u>42,351,149</u>	<u>20,361,902</u>

The movement in shares during the year to 30 September 2007 is shown below:

	Nominal Shares	Redeemable Participating Preference Shares US\$ Class	Redeemable Participating Preference Shares Sterling Hedged Class
Number of shares at 1 October 2006	86,575,906	42,351,149	20,361,902
Number of shares issued	14,591,813	13,772,503	4,154,663
Number of shares redeemed	(17,927,166)	(6,962,076)	(7,629,737)
Number of shares at 30 September 2007	<u>83,240,553</u>	<u>49,161,576</u>	<u>16,886,828</u>

The movement in share capital and share premium of redeemable participating preference shares during the year to 30 September 2005 is shown below:

	GBP class US\$ '000	US\$ class US\$ '000	Sterling Hedged Class US\$ '000	Total US\$ '000
Share capital				
Balance at 1 October 2004	1,078	—	—	1,078
Redenomination	(1,078)	896	182	—
Issued during the year	—	—	—	—
Redeemed during the year	—	(227)	(32)	(259)
Balance at 30 September 2005	<u>—</u>	<u>669</u>	<u>150</u>	<u>819</u>

	GBP class US\$ '000	US\$ class US\$ '000	Sterling Hedged Class US\$ '000	Total US\$ '000
Share premium				
Balance at 1 October 2004	(127,014)	—	—	(127,014)
Issued during the year	127,014	102,777	22,082	251,874
Redeemed during the year	—	(20,128)	(2,740)	(22,869)
Balance at 30 September 2005	<u>—</u>	<u>82,649</u>	<u>19,342</u>	<u>101,991</u>

The movement in share capital and share premium of redeemable participating preference shares during the year to 30 September 2006 is shown below:

	US\$ class US\$ '000	Sterling Hedged Class US\$ '000	Total US\$ '000
Share capital			
Balance at 1 October 2005	669	150	819
Issued during the year	116	224	340
Redeemed during the year	(35)	(3)	(38)
Balance at 30 September 2006	<u>750</u>	<u>371</u>	<u>1,121</u>

	<i>US\$ class</i> <i>US\$ '000</i>	<i>Sterling Hedged</i> <i>Class</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Share premium			
Balance at 1 October 2005	82,649	19,342	101,991
Issued during the year	10,736	20,551	31,287
Redeemed during the year	(3,121)	(250)	(3,371)
Balance at 30 September 2006	<u>90,264</u>	<u>39,643</u>	<u>129,907</u>

The movement in share capital and share premium of redeemable participating preference shares during the year to 30 September 2007 is shown below:

	<i>US\$ class</i> <i>US\$ '000</i>	<i>Sterling Hedged</i> <i>Class</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Share capital			
Balance at 1 October 2006	750	371	1,121
Issued during the year	279	84	363
Redeemed during the year	(141)	(155)	(296)
Balance at 30 September 2007	<u>888</u>	<u>300</u>	<u>1,188</u>

	<i>US\$ class</i> <i>US\$ '000</i>	<i>Sterling Hedged</i> <i>Class</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Share premium			
Balance at 1 October 2006	90,264	39,643	129,907
Issued during the year	25,526	8,450	33,976
Redeemed during the year	(12,720)	(16,753)	(29,473)
Balance at 30 September 2007	<u>103,070</u>	<u>31,340</u>	<u>134,410</u>

Rights attaching to shares

Unclassified Shares – The Directors may issue any of the Unclassified Shares of GBP0.01 each in the capital of the Fund as one or more classes of Shares or as non-participating redeemable shares of GBP0.01 each (Nominal Shares). The Shares may be issued as separate classes of redeemable participating preference shares.

Nominal shares – The Manager may only issue Nominal Shares at par and for the purpose of providing funds for the redemption of Shares. Nominal Shares do not carry voting rights. Nominal Shares do not carry any general right to dividends. However, a fixed dividend of GBP100 in aggregate shall be payable to the holders of Nominal Shares *pro rata* to their holdings in each year. In the event of liquidation they rank *pari passu* inter se but only for a return of the nominal amount paid up on them. The Fund may redeem at par all or any of the Nominal Shares for the time being issued and outstanding. Nominal Shares are not participating shares of the Fund and do not form part of the Net Asset Value of the Fund.

Rights as to income – Subject to the rights of the holders (if any) of the Founder Shares, the Shares carry the right to receive all the revenue profits of the Fund available for distribution. The Founder Shares carry the right to receive out of the profits of the Fund available for distribution a fixed cumulative preferential dividend at the annual rate of 0.01 per cent on the nominal amount of each share. For so long as there are Shares in issue, the Founder Shares do not confer any further right to participate in the Fund's profits.

Issued and fully paid share capital

	2005 <i>Number of shares</i>	2005 <i>US\$ '000</i>
Founder and Nominal shares at 30 September 2005		
Founder shares	2	—
Nominal shares	<u>102,729,644</u>	<u>1,807</u>
Redeemable participating preference shares at 30 September 2005		
US\$ redeemable participating preference shares	38,032,084	669
GBP Hedged redeemable participating shares	<u>8,527,229</u>	<u>150</u>
Total redeemable participating preference shares in issue	<u>46,559,313</u>	<u>819</u>
	2006 <i>Number of shares</i>	2006 <i>US\$ '000</i>
Founder and Nominal shares at 30 September 2006		
Founder shares	2	—
Nominal shares	<u>86,575,906</u>	<u>1,619</u>
Redeemable participating preference shares at 30 September 2006		
US\$ redeemable participating preference shares	42,351,149	750
GBP Hedged redeemable participating shares	<u>20,361,902</u>	<u>371</u>
Total redeemable participating preference shares in issue	<u>62,713,051</u>	<u>1,121</u>
	2007 <i>Number of shares</i>	2007 <i>US\$ '000</i>
Founder and Nominal shares at 30 September 2007		
Founder shares	2	—
Nominal shares	<u>83,240,553</u>	<u>1,690</u>
Redeemable participating preference shares at 30 September 2007		
US\$ redeemable participating preference shares	49,161,576	888
GBP Hedged redeemable participating shares	<u>16,886,828</u>	<u>300</u>
Total redeemable participating preference shares in issue	<u>66,048,404</u>	<u>1,188</u>

The Redemption Facility

In order to assist further the narrowing of any discount to Net Asset Value at which the Shares of the relevant class may be trading, the Fund has a twice yearly redemption facility under which, subject to certain limitations and the Directors exercising their discretion to operate the facility, Shareholders may request the redemption of all or part of their holdings of Shares of the relevant class for cash by giving notice to the Fund not less than 60 days' prior to the Redemption Date, 30 June and/or 31 December of each year.

Redemptions on any Redemption Date will be restricted to up to 25 per cent. (or such lesser amount as the Directors, in their discretion, resolve) of each class of Share in issue, with any excess redemption requests being scaled back pro-rata.

Issue of shares

Subject to any resolution of the Fund in general meeting, the Fund's unissued shares shall be at the disposal of the Board which may offer, allot, grant options over, or otherwise dispose of them to such persons, for such consideration, on such terms and conditions and at such times as the Board determines but so that no share shall be issued at a discount and so that the amount payable on application on each share shall be fixed by the Board.

8 Related Party Transactions

IAS 24 Related Party Disclosures requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity.

Management Agreement

Pursuant to the Management Agreement dated 21 September 2001, the Fund has appointed HSBC Republic Management (Guernsey) Limited as the Manager of the Fund. On 1 January 2004 the Manager changed its name to HSBC Management (Guernsey) Limited. The Manager will be paid periodic fees and (if applicable) performance fees. The periodic fees will be paid monthly at a rate equivalent to 1.5 per cent. (1.7 per cent. up to 31 March 2007) per annum of the value of the Fund's net assets and will be paid in arrears. Such fees will be paid by the Fund to the Manager, out of which the Manager will discharge the fees to the Investment Adviser and Custodian. The performance fee (if applicable) will be equal to 10 per cent. of the excess of the growth in the Net Asset Value of the Fund in the Performance Period over the Performance Hurdle. Any performance fee payable will be subject to a cap equal to 4 per cent. of the Net Asset Value of the Fund in any one year. The performance fee for the year was US\$794,494 (2005: US\$423,107 (2006: US\$180,755)) all of which was outstanding at year end (2005: US\$423,107 (2006: US\$180,755)). The management fee for the year was US\$2,134,026 (2005: US\$1,367,185 (2006: US\$1,523,766)) of which US\$153,172 was outstanding at the year end (2005: US\$106,281 (2006: US\$151,231)).

Investment Adviser Agreement

Pursuant to the Investment Advisory Agreement dated 21 September 2001 the Fund has appointed HSBC Republic Investments Limited as the Investment Adviser of the Fund. With effect from 1 January 2007, the Investment Adviser changed its name to HSBC Alternative Investments Limited. The Investment Adviser fee is included in the management fee.

Directors' Interests

None of the Directors have a service contract with the Fund. Mr Stuart Carnegie is a non-executive director of various investment funds and it is possible that the Fund may invest in one or more funds of which Mr Carnegie is a non-executive Director. Mr Raymond Apsey is a non-executive Director of various investment funds and it is possible that the Fund may invest in one or more funds of which Mr Apsey is a non-executive Director. Mr Keith Dorrian is a non-executive Director of various investment funds and it is possible that the Fund may invest in one or more funds of which Mr Dorrian is a non-executive Director. Mr Paul Wrench is a Director of the Manager. He does not draw a fee for his services as a Director of the Fund.

The Directors are paid the following fees:

	2005	2006	2007
Raymond Philip Apsey	GBP25,000 per annum	GBP25,000 per annum	GBP25,000 per annum
Stuart Francis Carnegie	GBP10,000 per annum	GBP10,000 per annum	GBP10,000 per annum
Paul Wrench	GBP nil per annum	GBP nil per annum	GBP nil per annum
Keith Dorrian	GBP15,000 per annum	GBP15,000 per annum	GBP15,000 per annum

The Directors' fees outstanding at the year end were US\$31,375 (2005: US\$64,100 (2006: US\$34,423)). Paul Wrench has waived his entitlement to fees.

Loan

The Fund will have the ability to borrow up to 20 per cent. of its adjusted total of capital and reserves for short-term or temporary purposes as may be necessary for settlement of transactions, to facilitate redemption (where applicable) or to meet ongoing expenses. It is not intended for the Fund to have any structural gearing.

At 30 September 2007 the loan outstanding in respect of the credit facilities extended to HSBC Global Absolute Limited by HSBC Private Bank (Guernsey) Limited was US\$7,130,954 (2005: US\$2,806,451 (2006: US\$nil)).

For the year ended 30 September 2007 the interest expense was US\$280,668 (2005: US\$82,430 (2006: US\$55,321)) and the interest rate range was a low of 6.13 per cent. (2005: 3.080 per cent. (2006: 5.0725 per cent.)) and a high of 6.59 per cent. (2005: 5.078 per cent. (2006: 6.45 per cent.)).

9 Custody Agreements

Pursuant to the Custodian Agreement dated 21 September 2001 the Fund has appointed Investors Trust & Custodial Services (Ireland) Limited (a State Street Company) as the Custodian of the Fund. The Custodian fee is included in the management fee.

10 Taxation Status

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of GBP600 per annum (2006: GBP600).

11 Net Assets Attributable To Preference Shareholders

<i>At 30 September</i>	<i>2005</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>	<i>2007</i> <i>US\$'000</i>
US\$ Class	63,990	75,839	99,300
Sterling Hedged Class	13,592	36,569	36,966
Total	<u>77,582</u>	<u>112,408</u>	<u>136,266</u>

The fund received conversion notes in respect of the September 2007 conversion date relating to the following shares:

- 10,244 redeemable participating preference shares designated as Sterling Hedged Shares (the “Sterling Hedged Shares”), for conversion to US Dollar Shares; and
- 3,255,685 redeemable participating preference shares designated as US Dollar shares (the “US Dollar Shares”) for conversion to Sterling Hedged Shares.

These conversions took place on 26 October 2007 and have not been reflected in these accounts. The effect of the conversion is to increase net assets attributable to the Sterling Hedged Class and reduce the net assets attributable to the US Dollar Class by USD 6,553,531.

12 Financial Instruments and Risk

The Fund’s investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed to are price risk, credit risk and liquidity risk. Price risk includes market risk, interest rate risk and currency risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Fund are discussed below.

(a) *Market price risk*

Market risk arises mainly from uncertainty about future prices of the financial instruments held. It represents the potential loss the Fund might suffer through holding market positions that fluctuate in market value. The Investment Adviser considers the diversification of the portfolio in order to minimise the risk associated with particular countries or industry sectors while continuing to follow the Fund’s investment objective.

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk. The Fund’s strategy on the management of investment risk is driven by its investment objective of providing shareholders with an absolute total return and with a lower volatility than equities in general. The Investment Adviser will seek to achieve this by investing in a diversified portfolio of holdings in hedge funds and managed accounts exposed to long/short strategies investing in global markets.

The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Fund's overall market positions are monitored regularly by the Board of Directors. To select, allocate among, and evaluate hedge fund managers, the Investment Adviser receives detailed portfolio information on a continuing basis from each manager of an investee hedge fund. However, the Investment Adviser may not always be provided with such information because certain information may be considered proprietary information by the particular hedge fund manager.

Details of the Fund's investment portfolio at the balance sheet date are disclosed in the schedule of investments included on page 25. All individual investments in equity instruments are disclosed separately. Details of the nature and terms of derivative financial instruments outstanding at the balance sheet date are set out below.

(b) **Price risk**

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by the Fund's Investment Manager by constructing a diversified portfolio of instruments traded on various markets.

(c) **Credit risk**

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Fund monitors the credit rating and financial positions of the brokers used to further mitigate the risk.

Substantially, all of the assets of the Fund are held by Investors Trust & Custodial Services (Ireland) Limited (the "custodian"). Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial positions of the custodian the Fund uses.

(d) **Foreign currency risk**

The majority of the financial assets/net assets of the Fund are denominated in US Dollars. Through the Fund's objective of investing through a manager of manager approach, the Fund is exposed to foreign currency risk. Diversification of the underlying investments partially reduces the Fund's exposure to foreign currency risk.

The Fund also offers redeemable participating preference shares denominated in GBP exposing the Fund to foreign currency risk. This risk is mitigated by the Fund entering into foreign exchange contracts as described further in this note below.

The following tables set out the Fund's total exposure to foreign currency risk and the net exposure to the foreign currencies:

30 September 2005

<i>Currency</i>	<i>Total US\$ '000</i>	<i>Forward Fx US\$ '000</i>	<i>Net US\$ '000</i>
British Pound Sterling	(81)	13,399	13,318
US Dollar	77,663	(13,462)	64,201
Total	<u>77,582</u>	<u>(63)</u>	<u>77,519</u>

30 September 2006

<i>Currency</i>	<i>Total US\$ '000</i>	<i>Forward FX US\$ '000</i>	<i>Total Net US\$ '000</i>
British Pound Sterling	(321)	36,415	36,094
US Dollar	114,652	(36,719)	77,933
Total	<u>114,331</u>	<u>(304)</u>	<u>114,027</u>

30 September 2007

<i>Currency</i>	<i>Total US\$ '000</i>	<i>Forward FX US\$ '000</i>	<i>Total Net US\$ '000</i>
British Pound Sterling	(275)	42,745	42,470
US Dollar	137,972	(42,487)	95,485
Total	<u>137,697</u>	<u>258</u>	<u>137,955</u>

The only derivative instruments the Fund holds are foreign exchange forwards. Forwards are a contractual obligation by one party to buy and another party to sell a financial instrument, equity, commodity or currency at a specific future date. Forwards held by the Fund are mainly forward foreign currency contracts.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not therefore indicate the Fund's exposure to credit or market price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rate or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivatives financial assets and liabilities can fluctuate significantly from time to time.

The following forward foreign exchange contracts were unsettled at 30 September 2005:

<i>Settlement Date</i>	<i>Amount Bought</i>	<i>Amount Sold</i>	<i>Counterparty</i>	<i>Unrealised Loss US\$ '000</i>
31 October 2005	GBP7,587,000	USD13,398,642	IBT Boston	(63)
Total unrealised loss on forward foreign exchange contracts				<u>(63)</u>

The following forward foreign exchange contracts were unsettled at 30 September 2006:

<i>Settlement Date</i>	<i>Amount Bought</i>	<i>Amount Sold</i>	<i>Counterparty</i>	<i>Unrealised Loss US\$ '000</i>
31 October 2006	GBP19,471,000	USD36,736,909	IBT Boston	(304)
Total unrealised loss on forward foreign exchange contracts				<u>(304)</u>

The Fund's open forward foreign exchange contracts at 30 September 2007 are detailed below:

<i>Settlement Date</i>	<i>Amount Bought</i>	<i>Amount Sold</i>	<i>Counterparty</i>	<i>Unrealised Gain US\$ '000</i>
31 October 2007	GBP17,896,000	USD36,035,386	State Street Boston	256
31 October 2007	GBP3,170,100	USD6,426,967	State Street Boston	2
Total unrealised loss on forward foreign exchange contracts				<u>258</u>

The Company has entered into foreign exchange contracts to hedge their redeemable preference shares exposure to fluctuations in Sterling.

(e) ***Fair values of financial assets and financial liabilities***

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

(f) ***Interest rate risk***

The majority of the Fund's financial assets are investments in investment funds which neither pay interest nor have a maturity date. As described in note 8 the Fund enters into short term loans of duration of no longer than one month to cover cash shortfalls. These loans incur a fixed interest charge. The fund minimises interest rate risk by only entering into short term loans bearing interest rates based on current market interest rates.

The Fund has borrowed US\$7,130,954 (2005: US\$3,050,000 (2006: US\$nil)) during the year which bears an interest rate of 6.3713 per cent. (2005: 4.1314 per cent.).

(g) ***Liquidity risk***

The Fund's assets comprise mainly readily realisable securities listed on major European stock exchanges, which mitigates liquidity risk. The Fund's financial instruments may include underlying investments in unlisted equity investments and derivative contracts traded over-the-counter, which are not traded in an organised public market and which may be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments at an amount close to its fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The main liability of the Fund is the redemption of any shares that investors may wish to sell. However the Fund mitigates the liquidity risk of shareholder redemptions by limiting redemptions to bi-annual and subject to certain limitations including the Directors exercising their discretion to operate the facility.

13 Shareholders' Interests

The following Shareholders had significant holdings in the Company at 30 September 2005:

<i>Shareholder</i>	<i>US Dollar Shares</i>	<i>Sterling Hedged Shares</i>
BNY (OCS) Nominees Limited	—	27.07%
Euroclear Nominees Limited	64.10%	—
HSBC Global Custody Nominee (UK) Limited	26.42%	5.81%
James Capel (Nominees) Limited	3.66%	21.76%
Mellon Nominees (UK) Limited	—	8.80%
Pershing Keen Nominees Limited	—	11.62%
The Bank of New York Nominees Limited	—	17.41%

The following Shareholders had significant holdings in the Fund at 30 September 2006:

<i>Shareholder</i>	<i>US Dollar Shares</i>	<i>Sterling Hedged Shares</i>
BNY (OCS) Nominees Limited	0.27%	18.14%
Euroclear Nominees Limited	48.33%	0.17%
HSBC Global Custody Nominee (UK) Limited	30.55%	2.34%
James Capel (Nominees) Limited	2.16%	15.14%
Mellon Nominees (UK) Limited	—	4.37%
Pershing Keen Nominees Limited	0.21%	28.30%
The Bank of New York Nominees Limited	13.61%	6.19%

The following Shareholders had significant holdings in the Fund at 30 September 2007:

<i>Shareholder</i>	<i>Redeemable Participating Preference Shares US Dollar Class</i>	<i>Redeemable Participating Preference Shares Sterling Hedged Class</i>
Euroclear Nominees Limited	39.58%	0.30%
HSBC Global Custody Nominee (UK) Limited	39.42%	17.40%
Capita Registrars Limited	6.62%	0.06%
The Bank of New York Nominees Limited	6.01%	6.31%
James Capel (Nominees) Limited	1.73%	3.41%
BNY (OCS) Nominees Limited	0.33%	37.40%
Pershing Keen Nominees Limited	0.19%	11.11%
Rathbone Nominees Limited	0.05%	11.93%
Transact Nominees Limited	—	3.36%

14 Subsequent Events

As of the date of approval of the financial information, the Directors are intending to update the Prospectus.

Investment Funds > 5% of Net Asset Value

<i>Security Description</i>	<i>Holding</i>	<i>Market value US\$'000</i>	<i>% of total net assets</i>
2005:			
Caxton Equity Growth (BVI), Ltd. – Class B, Series 29	2,238	3,907	5.03%
Gamut Investments, Ltd.	744	4,302	5.54%
Highbridge Capital Corp. – Class A	75	4,291	5.53%
Raptor Global Fund, Ltd. – Class A	1,181	4,662	6.01%
Other Investments		62,786	80.94%
Total Investments as a percentage of Net Asset Value		<u>79,948</u>	<u>103.05%</u>

2006:

Other Investments		111,931	98.16%
Total Investments as a percentage of Net Asset Value		<u>111,931</u>	<u>98.16%</u>

<i>Security Description</i>	<i>Holding</i>	<i>Market value US\$'000</i>	<i>% of total net assets</i>
2006:			
Farallon Capital Offshore Investors, Inc. – Class E, Series D	605,080	8,110	5.95%
Other Investments		125,448	92.06%
Total Investments as a percentage of Net Asset Value		<u>133,558</u>	<u>98.01%</u>

<i>Portfolio Classification</i>	<i>2005 % of Portfolio</i>	<i>2006 % of Portfolio</i>	<i>2007 % of Portfolio</i>
Securities with an official stock exchange listing	48.03%	67.09%	33.74%
Unlisted securities	51.97%	32.91%	66.26%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

PART V
GENERAL INFORMATION

1. History

The Company was incorporated and registered in Guernsey on 14 August 2001 under the Laws with registered number 38660. The Company is domiciled in Guernsey and operates under the Laws. The Company's registered office is at St Martin's House, Le Bordage, St Peter Port, Guernsey GY1 1BP and its telephone number at its registered office is 01481 759000.

The Board as a whole fulfils the function of an audit committee in relation to, amongst other things, monitoring the internal controls of the Company and its service providers, reviewing the financial statements of the Company, monitoring the independence of the auditor and the effectiveness of the audit process and reviewing the findings of the auditor.

The Board as a whole fulfils the function of a remuneration committee in relation to the setting and periodic review of the fees of the Directors and the Chairman, taking into account, amongst other factors, prevailing market conditions and the need to attract to the Board, and retain thereafter, suitable persons.

As a Guernsey registered company, the Company is not required to comply with the Combined Code on Corporate Governance (the "Combined Code"). Nevertheless, the Directors recognise the value of the Combined Code and have taken and will continue to take appropriate measures to ensure that the Company complies, so far as is possible given the Company's size and nature of business, with the Combined Code. The Company is committed to complying with corporate governance regimes applicable to Guernsey registered companies (currently there are none).

The Company is not directly regulated by the GFSC. However, the Company has received regulatory consent (the "Consent") from the GFSC under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 for the raising of monies by the issue of the Shares and the raising of bank finance. Under the terms of the Consent, the Company must give written notice forthwith to the GFSC of, *inter alia*, any proposed material change to this document or to the Articles or any proposed change of any of the parties to the material contracts which are summarised in this document or of any proposed material alteration to the Company including its name and its investment, borrowing and hedging powers. In giving their consent, neither the GFSC nor the States of Guernsey Policy Council accepts any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

As a listed investment company, the Company is not a regulated fund but is subject, among others, to the Listing Rules of the FSA applicable to closed-end investment companies.

2. Share Capital

- (a) As at the date of this document, the Company has an authorised share capital of £5,000,100 divided into 100 ordinary Shares of £1 each ("Founder Shares"), 400,000,000 redeemable participating preference Shares of 1p each (the "Shares") and 100,000,000 unclassified Shares of 1p each ("Unclassified Shares"). As at the date of this document, 55,124,643 Shares have been issued as US Dollar Shares, 13,464,015 Shares have been issued as Sterling Hedged Shares and are fully paid and zero Shares have been issued as Euro Hedged Shares. The 331,411,342 remaining unissued Shares are available for issue as US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares or such other class as the Directors determine. The Unclassified Shares may be allotted and issued as one or more classes of redeemable participating preference Shares or as non-participating redeemable Shares of 1p each ("Nominal Shares").
- (b) In accordance with the power granted to the Board by the Articles, it is expected that, in respect of the Roll Over Issue, the Shares will be allotted pursuant to a resolution of the Board to be passed on or around 28 October 2008 conditional upon Admission. The allotment of such Shares will not be made on a pre-emptive basis. There are no provisions of Guernsey law equivalent to

sections 89 to 96 of the Companies Act 1985 of England and Wales that confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash and there are no pre-emption rights under the Articles of the Company.

- (c) In accordance with the power granted to the Board by the Articles, it is expected that, in respect of the Issue, Shares will be allotted pursuant to resolutions of the Board to be passed as and when appropriate during the 12 months following the date of this Prospectus at the discretion of the Directors conditional upon Admission. The allotment of such Shares will not be made on a pre-emptive basis. There are no provisions of Guernsey law equivalent to sections 89 to 96 of the Companies Act 1985 of England and Wales that confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash and there are no pre-emption rights under the Articles of the Company.
- (d) The Shares will be in registered form. Temporary documents of title will not be issued. Share certificates will not be issued unless specifically requested.
- (e) No Shares have been or will be issued partly paid-up, and no Shares have been issued or agreed to be issued for consideration otherwise than in cash.

(f) **Capital**

- (i) On 29 November 2004 the then issued Shares of the Company were reclassified into 50,921,244 US Dollar Shares and 10,360,560 Sterling Hedged Shares.
- (ii) On 31 December 2004 272,081 Sterling Hedged Shares were redeemed at 84.04p per share and 10,477,600 US Dollar Shares were redeemed at US\$1.5837 per share.
- (iii) On 30 March 2005 2,000,000 US Dollar Shares were redeemed at US\$1.55 per share for cash.
- (iv) On 30 June 2005 1,561,250 Sterling Hedged Shares were redeemed at 86p per share for cash and 411,560 US Dollar Shares were redeemed at US\$1.6086 per share for cash.
- (v) On 25 November 2005 850,000 Sterling Hedged Shares were issued at 92p per share for cash.
- (vi) On 31 December 2005 155,360 Sterling Hedged Shares were redeemed at 92.17p per share for cash and 1,850,255 US Dollar Shares were redeemed at US\$1.7060 per share for cash.
- (vii) On 7 February 2006 2,500,000 US Dollar Shares were issued at US\$1.74 per share for cash.
- (viii) On 30 March 2006 1,360,000 US Dollar Shares were issued at US\$1.79 per share for cash.
- (ix) On 28 June 2006 2,209,320 US Dollar Shares were issued at US\$1.76 per share for cash and 11,140,033 Sterling Hedged Shares were issued at 95p per share for cash.
- (x) On 27 November 2006 11,272,503 US Dollar Shares were allotted pursuant to a placing for cash at US\$1.8650 per share. 2,354,663 Sterling Hedged Shares were allotted pursuant to the placing for cash at GBP1.0012 per share.
- (xi) On 5 January 2007 the Company purchased 3 million US Dollar Shares at US\$1.81 per share.
- (xii) On 9 January 2007 the Company purchased 2.75 million US Dollar Shares at US\$1.81 per share.
- (xiii) On 29 June 2007 the Company redeemed 7,629,737 Sterling Hedged Shares at GBP1.0808 per share and 1,212,076 US Dollar Shares at US\$2.0242 per share.
- (xiv) On 29 June 2007 application was made for a block listing of 1,800,000 Sterling Hedged Shares.
- (xv) On 2 July 2007 1,800,000 Sterling Hedged Shares were issued for cash at GBP1.0803 per share under a block listing.

- (xvi) On 27 June 2007 application was made for block listing of 4,666,150 US Dollar Shares.
 - (xvii) On 2 August 2007 2,500,000 US Dollar Shares were issued for cash at US\$2.06 per share under the block listing.
 - (xviii) On 26 October 2007 10,244 Sterling Hedged Shares were converted to 11,102 US Dollar Shares at the net asset value prevailing at 30 September 2007 of GBP1.0789. 3,255,685 US Dollar Shares were converted to 3,003,913 Sterling Hedged Shares at the 30 September 2007 NAV of US\$2.0199.
 - (xix) On 23 November 2007 188,000 Sterling Hedged Shares were issued for cash at GBP1.12 per share.
 - (xx) On 20 December 2007 1,700,000 US Dollar Shares were issued for cash at US\$2.08494 per share under the block listing.
 - (xxi) On 14 February 2008, 460,000 US Dollar Shares were issued for cash at US\$2.08 per share.
 - (xxii) On 16 April 2008, 6,608,246 Sterling Hedged Shares were converted to 7,051,668 US Dollar Shares at the NAV prevailing at 31 March 2008 of GBP1.0939. 4,018 US Dollar Shares were converted to 3,764 Sterling Hedged Shares at the 31 March 2008 NAV US\$2.0369.
 - (xxiii) On 22 July 2008, the Company redeemed 1,556,417 Sterling Hedged Shares at a price of GBP1.1478 per share and 13,758,880 US Dollar Shares at US\$2.1196 per share.
- (g) As at the date of this document, save as disclosed in paragraph 2(f) above, since 30 September 2007 (the last date to which audited financial information has been published) there has been no alteration to the share capital of the Company, no share or loan capital of the Company has been issued or agreed to be issued and no such share or loan capital of the Company is proposed to be issued or is under option or agreed conditionally or unconditionally to be put under option.
 - (h) As at the date of this document, the Company has no loan capital (whether outstanding or created but unissued), term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, finance lease commitments, hire purchase commitments, mortgages, charges, guarantees or other contingent liabilities.
 - (i) Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's objects include carrying on business as an investment company. The objects of the Company are set out in full in Clause 3 of the Memorandum of Association, which is available for inspection at the Company's registered office as stated in paragraph 18 below.

Save as disclosed below, neither the Memorandum nor the Articles of the Company contain any restriction on the investment powers of the Company. Investors' attention is, however, drawn to the "Investment Policy" section set out in Part I and the "Investment and Other Restrictions of the Company" section set out in paragraph 12 below.

The Articles are available for inspection at the address specified in paragraph 18 below. The following section is a summary of certain of the provisions of the Articles.

Rights attaching to Shares

(a) *Unclassified Shares*

The Directors may issue any of the Unclassified Shares of 1p each in the capital of the Company as one or more classes of Shares or as non-participating redeemable Shares of 1p each ("Nominal Shares"). The Shares may be issued as separate classes of redeemable participating preference Shares.

(b) *Nominal Shares*

The Nominal Shares may only be issued to the Manager at par and for the purpose of providing funds for the redemption of Shares. The rights attaching to the Nominal Shares will be as follows:

- **Voting rights**
The Nominal Shares carry no voting rights.
- **Dividends and distribution of assets on a winding-up**
The Nominal Shares do not carry any general right to dividends. However, a fixed dividend of £100 in aggregate shall be payable to the holders of Nominal Shares *pro rata* to their holdings in each year. In the event of a liquidation they rank *pari passu* inter se but only for a return of the nominal amount paid up on them (after the return of the nominal amounts paid up on the Shares but before the return of the nominal amounts paid up on the Founder Shares).
- **Redemption**
The Company may from time to time redeem at par all or any of the Nominal Shares for the time being issued and outstanding out of any monies which may lawfully be applied for the purpose on at least one month's written notice.

(c) *US\$ Shares, Sterling Hedged Shares, Euro Hedged Shares and Founder Shares – Rights as to income*

Subject to the rights of the holders (if any) of the Founder Shares and to any specific rights attributable to any class or classes of Shares as described in a circular or prospectus published by the Company from time to time relating to those Shares, the Shares carry the right to receive all the revenue profits of the Company to which such Shares relate which are available for distribution and from time to time determined to be distributed by way of interim and/or final dividend at such time as the Directors may determine.

The Founder Shares confer the right to receive out of the profits of the Company available for distribution as dividend and from time to time resolved to be distributed a fixed cumulative preferential dividend at the annual rate of 0.01 per cent. on the nominal amount of each of the Shares, payable annually in arrears on 30 September (or, the next following Business Day if not a Business Day) in respect of the twelve-month period ending on such date (except that the first dividend on any Founder Share will be payable in respect of the period starting on the day after the date of allotment thereof and ending on that date). For so long as there are Shares in issue, the Founder Shares do not confer any further right to participate in the Company's profits.

(d) *US\$ Shares, Sterling Hedged Shares and Euro Hedged Shares – Rights as to capital*

On a return of capital or other return of assets of the Company on winding up or otherwise (other than conversion, redemption or purchase of Shares), the assets of the Company available for distribution to Shareholders will be applied as follows (and in each case distributed among the holders of Shares of each class rateably according to amounts paid up on such Shares held by them):

- (i) first there will be paid to the holders of the Founder Shares in respect of each such share the amount paid up or treated as paid up thereon; and
- (ii) secondly, there will be paid to the holders of the Shares all further assets of the Company to which their Shares relate subject to any specific rights attributable thereto as described in a circular or prospectus published by the Company from time to time.

(e) *US\$ Shares, Sterling Hedged Shares and Euro Hedged Shares – Rights as to voting*

The holders of the Shares will have the right to receive notice of, and to vote at, general meetings of the Company. Each holder of a Share who is present in person (or, being a corporation by representative) at a general meeting will have on a show of hands one vote and on a poll every such holder who is present in person or by proxy (or, being a corporation, by representative) will have one vote in respect of each Share held by him. For so long as there are Shares in issue, the holders of the Founder Shares will not have any right to receive notice of or vote at any general meeting of the Company. When there are no Shares in issue, the holders of the Founder Shares

will have the right to receive notice of, and to vote at, general meetings of the Company. In such circumstances, each holder of a Founder Share who is present in person (or, being a corporation, by representative) at a general meeting will have on a show of hands one vote and on a poll every such holder who is present in person or by proxy (or being a corporation, by representative) will have one vote in respect of each Founder Share held by him.

(f) *US\$ Shares, Sterling Hedged Shares and Euro Hedged Shares – Tender facility*

- (i) On any Tender Date, each holder of Shares may, if so resolved by the Board at their sole discretion and in the manner stipulated at the sole discretion of the Board and subject to the provisions of these Articles, request that the Company purchase his Shares by way of a tender offer for the whole or any part of the Shares comprised in his holding of the Shares at the Net Asset Value per Share of the relevant class (less any tender costs) calculated on the Tender Date. Any tender offer by the Company shall be made in accordance with, and subject to, the listing rules as amended from time to time of the UK Financial Services Authority or any successor body or organisation. Any policy with regards to the priority afforded to the acceptance of the tender offer on any Tender Date will be determined by the Directors at their sole discretion.
- (ii) In respect of any Tender Date on which the directors at their sole discretion opt to give effect to tender acceptances, the Directors will specify a proportion of the Shares of the relevant class then in issue (excluding any Shares of the relevant class held in treasury) which shall be the maximum proportion of those Shares that the Company will buy back on that Tender Date. The proportion specified by the Board shall not exceed 25 per cent. of the relevant class of Shares then in issue. If on any Tender Date the number of Shares of the relevant class for which tender acceptances have been delivered (accompanied by the relevant documents) would, if the same were given effect to, cause the proportion specified by the Board to be exceeded, the number of Shares of the relevant class to be bought back by the Company on such Tender Date will, subject to paragraph (3)(f)(i) above, be reduced *pro rata* according to the number of Shares of the relevant class to which each tender acceptance relates. In these circumstances, such tender acceptances will be deemed not to apply to the balance of the Shares of the relevant class to which they would otherwise apply.
- (iii) The ability to have Shares in certificated form purchased pursuant to a tender offer may be exercised by the holder delivering to the Company at the Office (or to such other address or such other person as the Board may designate for the purpose) a duly completed Tender Form not less than 60 days prior to the relevant Tender Date (or if such 60th day is not a Business Day, then the immediately preceding Business Day), together with the certificate(s) (if any have been issued) in respect of the Shares to be purchased pursuant to the tender offer and such other evidence as the Board may reasonably require to prove the title of the holder and the due execution by him of the Tender Form or, if the Tender Form is executed by some other person on his behalf, the authority of that person to do so. The ability to have Shares purchased pursuant to the tender offer in uncertificated form may be exercised by delivering to the Company (or such other person as the Board may designate for the purpose) a Tender Form not less than 60 days prior to the Tender Date (or if such 60th day is not a Business Day, then the immediately preceding Business Day) in accordance with the procedures prescribed by the Board. For the purposes of these provisions, the expression “Tender Form” means a notice of an acceptance of the tender offer to be made in such form as the Board may from time to time prescribe and may in the case of Shares in uncertificated form mean an instruction sent by means of a relevant system in such form as the Board may from time to time prescribe. The Board may in their absolute discretion reject any Tender Form in respect of a Tender Date given at any time on or prior to such Tender Date and/or given otherwise than in accordance with these Articles. A Tender Form once given may not be withdrawn without the written consent of the Company. The time periods stipulated in this paragraph (f)(iii) may be modified by the Board at their sole discretion.

- (iv) A tender offer will become effective on the relevant Tender Date. The monies payable in respect of tenders in a tender offer which have been accepted shall, in the case of any certificated Shares, be paid to the holder (or, in the case of joint holders, to the holder whose name stands first in the register in respect of the Shares) by cheque despatched at his own risk within 10 Business Days of the Net Asset Value of the Company as at the relevant Tender Date being determined or, if later, within 10 Business Days of the receipt of the certificate(s) (if any have been issued) or an indemnity in a form satisfactory to the Board in lieu of the certificate(s) in respect of the Shares being acquired pursuant to the tender offer. If a certificate includes Shares not purchased pursuant to the tender offer on that occasion, a new certificate for the balance of the certificated Shares shall be issued to the holder without charge. If a holder whose certificated Shares are to be purchased pursuant to a tender offer fails to deliver the certificate(s) (if issued) for those Shares to the Company, the Company may retain the purchase monies until such certificate is delivered. No person has a claim against the Company for interest on retained acquisition monies. The acquisition monies payable in respect of a tender offer acceptance of any uncertificated Shares will be paid within 10 Business Days of the Net Asset Value of the Company being determined to the holder by such method as may be determined by the Board.
 - (v) The Company shall not be liable for any loss or damage suffered or incurred by any holder of Shares or any other person as a result of or arising out of late settlement, howsoever such loss or damage may arise.
 - (vi) The Board may, pursuant to the authority given by the adoption of this provision of these Articles but only with the approval of the Company given by ordinary resolution, consolidate and sub-divide the share capital available for issue as a consequence of a tender offer for Shares pursuant to the provisions referred to in this Article into any other class of share into which the authorised share capital of the Company is at the time divided, each of a like number or amount as the Shares. The Board may issue Shares in anticipation of a tender offer to the extent permitted by the Laws and these Articles.
 - (vii) The Directors, by written notice to any Shareholder, may suspend the acceptance contained in any Tender Form of such shareholder if the Directors, in consultation with the investment manager, reasonably deem it necessary to do so to comply with anti-money laundering regulations applicable to the Company, the investment manager, the person appointed from time to time to be the administrator to the Company or any of the Company's other service providers.
- (g) *US\$ Shares, Sterling Hedged Shares and Euro Hedged Shares – conversion facility*
- (i) On any Conversion Date, any Shareholder may elect to convert some or all of his Shares of one class into Shares of any other class, by giving notice to the Company, not less than 10 Business Days before the relevant Conversion Date. Such notice shall specify the number and class of Shares to be converted from and the class of Shares into which they are to be converted. The notice may, for Shares held in uncertificated form, be submitted through CREST or any other relevant system or in a form approved by the Board.
 - (ii) The notice, once given, shall be irrevocable without the consent of the Directors.
 - (iii) Conversion will take place on a date determined by the Directors provided that such date is not more than 20 Business Days after the relevant Conversion Date. Conversion will be effected on the basis of the ratio of the last reported Net Asset Value of the class of Shares to be converted from (less the cost of effecting such conversion) to the last reported Net Asset Value of the class of Shares to be converted to (each as at the relevant Conversion Date). Such ratio will be calculated using the prevailing currency exchange rate as at the relevant date. Fractions of Shares arising on conversions will be rounded down to the nearest whole number of Shares.

- (iv) Conversion shall be effected by way of redesignation of the Shares of one class into Shares of another class or in such other manner permitted by applicable legislation as the Directors shall from time to time determine. Shareholders who submit a notice of intention to convert any Shares, in accordance with the Articles, will be unable to deal in those Shares in the period between submitting the notice and the actual date of conversion.
 - (v) The Directors may amend the process for conversion (including in relation to giving notice of an intention to convert Shares) in such manner as they see fit for the purposes of facilitating conversions of Shares in certificated or uncertificated form or to facilitate electronic communications.
- (h) *Variation of rights and alteration of capital*
- (i) The special rights attached to any class of Shares (unless otherwise provided by the terms of issue of the Shares of that class) may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of such Shares. The necessary quorum shall be two or more persons at least holding or representing by proxy one-third in nominal amount of the issued Shares of the class (but at any adjourned meeting of such holders where a quorum as defined above is not present those holders who are present in person or by proxy shall be a quorum). Every holder of Shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the holders of Shares or any Shares or class of Shares issued with preferred, deferred, or other special rights shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring Shareholders to disclose an interest in the Company's Shares as set out in the Articles. The above provisions are no more significant than is required under the Laws.
 - (ii) The Company may by ordinary resolution:
 - (a) increase its share capital by such sum, to be divided into Shares of such amount, as the resolution shall prescribe;
 - (b) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
 - (c) subdivide all or any of its Shares into Shares of smaller amount than is fixed by the Memorandum so however that in subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived and so that the resolution whereby any Share is subdivided may determine that, as between the holders of the Shares resulting from subdivision, one or more of the Shares may have such preferred, deferred or other rights over the others as the Company has power to attach to unissued or new Shares;
 - (d) cancel any Shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the Shares so cancelled;
 - (e) subject to the provisions of the Laws, purchase, or enter into a contract under which it will or may purchase, any of its own Shares of any class;
 - (f) convert the whole, or any particular class, of its preference Shares into redeemable preference Shares;
 - (g) subject to the provisions of the Laws, convert the whole, or any particular class, of its Shares into redeemable Shares;
 - (h) redesignate the whole, or any particular class of its Shares, into Shares of another class;

- (i) convert all or any of its fully paid Shares, the nominal amount of which is expressed in a particular currency, into fully paid Shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than 3 significant figures) current on the date of the resolution or on such other date as may be specified therein.

The requirement for an ordinary resolution to effect the above is no more stringent than is required by the Laws.

- (iii) Subject to the provisions of the Laws, the Company may by special resolution reduce its share capital, any capital redemption reserve or share premium account in any manner.

(i) *Issue of Shares*

Subject to the provisions of the Articles, the unissued Shares shall be at the disposal of the Board which may allot grant options over or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board may determine but so that no share shall be issued at a discount and so that the amount payable on application for each share shall be fixed by the Board. Without prejudice to the authority conferred on the Directors pursuant to the Articles, the Directors are generally and unconditionally authorised to exercise all powers of the Company to allot, grant rights to subscribe for, or to convert any securities into, up to 1 billion Shares of each class in the Company, which authority shall expire on the date which is five years from 5 June 2008 (unless previously renewed, revoked or varied by the Company in general meeting) save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the Directors may allot Shares in pursuant of such an offer or agreement as if the authority conferred hereby had not expired.

(j) *Transfer of Shares*

Subject to such of the restrictions noted below as may be applicable and to paragraph 3(f)(m) below, any member may transfer all or any of his Shares in any form which the Board may accept.

An instrument of transfer of a Share in certificated form shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer of a Share in certificated form need not be under seal.

The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Share in certificated form which is not fully paid or on which the Company has a lien, provided, in the case of a listed Share that this would not prevent dealings in the Share from taking place on an open and proper basis on the London Stock Exchange and the Channel Islands Stock Exchange. In addition, the directors may refuse to register a transfer of Shares which is prohibited by the provisions of the Company's Articles in relation to financial assistance, and may also refuse to register a transfer of Shares unless:-

- (i) it is in respect of only one class of Shares;
- (ii) it is in favour of a single transferee or not more than four joint transferees; and
- (iii) it is delivered for registration to the Office or such other place as the Board may decide, accompanied by the certificate for the Shares to which it relates and such other evidence as the Board may reasonably require to prove title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

If the Board refuses to register a transfer they must, within two months of the date on which the instrument of transfer was lodged with the Company, send notice of the refusal to the transferee.

On the death of a Shareholder the survivors, where the deceased was a joint holder, and the executors of the deceased where he was a sole holder shall be the only persons recognised by the Company as having any title to or interest in his Shares; but nothing contained in the Articles shall release the estate of a deceased joint holder from any liability in respect of any share jointly held.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any one year) as the Board may decide and either generally or in respect of a particular class of Share.

The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of Shares to be admitted to settlement by means of the CREST system. If the Directors implement any such arrangement no provision of the Articles apply or have effect to the extent that it is in any respect inconsistent with:

- (i) the holding of Shares of that class in uncertificated form;
- (ii) the transfer of title to Shares of that class by means of the CREST system; or
- (iii) the CREST Guernsey Requirements.

Where any class of Shares is for the time being admitted to settlement by means of the CREST system such Shares may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such Shares held by the same Shareholder or joint Shareholders in certificated form and uncertificated form at the same time shall be treated as separate holdings. Such Shares may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements.

Title to such of the Shares as are recorded on the register of the Company as being held in uncertificated form may be transferred only by means of the CREST system. Every transfer of Shares from a CRESTCo account of a CRESTCo member to a CRESTCo account of another CRESTCo member shall vest in the transferee a beneficial interest in the Shares transferred, notwithstanding any agreement or arrangements to the contrary however and whenever arising and however expressed.

No transfer, without the consent of the Directors, will be registered if it would result in more than 100 US Persons being the beneficial owners of Shares or other outstanding securities at any time, such number to be determined in accordance with section 3(c)(i) of the Investment Company Act.

(k) *Directors*

- (i) Unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two.
- (ii) A majority of the Directors shall not be resident in the United Kingdom.
- (iii) The remuneration of each Director shall be determined from time to time by the Directors provided always that the aggregate remuneration of all Directors in any 12 month period or *pro rata* for any lesser period shall not exceed £100,000 or such higher amount as may be approved by ordinary resolution.
- (iv) The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.
- (v) To the extent permitted under the Laws, the Directors, Managing Directors, managers, agents, Auditors, Secretary and other officers or servants for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company and their respective heirs and executors shall be fully indemnified out of the assets and profits of the Company from and against all actions expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they shall incur by or through their own wilful act neglect or default respectively and none of them shall be answerable for the acts receipts neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any

money or assets of the Company may come or for any defects of title of the Company to any property purchased or for insufficiency or deficiency of or defect in title of the Company to any security upon which any moneys of the Company shall be placed out or invested or for any loss misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except the same shall happen by or through their own wilful act neglect or default.

- (vi) A Director who to his/her knowledge is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, otherwise than by virtue of his interests in Shares or debentures or otherwise in or through the Company, shall disclose the nature of his/her interest to the Board. A Director shall not vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposals in which he/she is to his/her knowledge alone or together with any person connected with him/her materially interested, save that this prohibition shall not apply in respect of a resolution:
 - (a) relating to the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by a Director or by any other person at the request of or for the benefit of the Company or any of its subsidiaries or in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by giving of security;
 - (b) relating to a contract, arrangement, transaction or proposal concerning an offer of Shares, debentures or other securities of the Company or any of its subsidiaries for subscription or purchase, in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (c) relating to a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a subsidiary of the Company) in which the Director (and any persons connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if the Director does not to his knowledge hold an interest in Shares representing one per cent. or more of either a class of the equity share capital of or the voting rights in such company;
 - (d) relating to a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries which only awards him a privilege or benefit generally awarded to the employees to whom it relates; or
 - (e) relating to a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.
- (vii) Neither the Laws nor the Articles contain any provision which disqualifies any person from being appointed as a Director or requires him to vacate the office of Director by reason only of the fact that he has attained 70 years or any other age.
- (viii) The Board shall have the power at any time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors may not at any time exceed the number fixed pursuant to the Articles. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.
- (ix) A Share qualification for a Director may be fixed by the Company in general meeting. At present, no qualification is required.

(l) *Borrowing powers*

- (i) The Directors shall restrict the borrowings of the Company so as to secure that at the time of any borrowing the aggregate amount for the time being remaining undischarged of all monies borrowed by the Company and for the time being owing to persons outside the Company shall not, except with the previous sanction of an ordinary resolution passed by the Company in general meeting, exceed an amount equal to 20 per cent. of the Adjusted Total of Capital and Reserves of the Company.
- (ii) “Adjusted Total of Capital and Reserves” means the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company and the amounts standing to the credit or debit of the capital and revenue reserves (including share premium account, capital redemption reserve fund, investment reserve and profit and loss account) of the Company, all as shown in the latest audited balance sheet of the Company or any other balance sheet of the Company approved by the Directors but adjusted as may be appropriate in respect of any variation in such paid up share capital, share premium account, capital redemption reserve fund, investment reserve and profit and loss account since the date of such balance sheet.
- (iii) The Directors and the Manager shall exercise all and any powers of the Company to borrow money subject to and in accordance with the following limitations and conditions:
 - (a) the terms of repayment of each borrowing shall be such that they allow repayment of the whole amount outstanding (together with any prepayment premium, penalty and expenses) on not more than 30 days’ notice upon the liquidation of the Company, whensoever occurring. This shall not prevent any arrangement being made for the earlier repayment of any borrowing by consent of the Directors or, as the case may be, the Manager, and the lender or other person for the time being entitled to repayment thereof;
 - (b) subject to any applicable requirement of law, interest may be charged against the income of the Company or against the capital or partly one and partly the other as the Directors may from time to time determine; and
 - (c) no such borrowing may be made from the Manager and/or any connected person of the Manager unless the terms of such borrowing are in line with those for the time being offered by lending banks to other similar borrowers for similar sums in the same currency and for the relevant terms, but not otherwise, and in such a case the relevant lender shall not be liable to account for any profits or benefits made or derived from or in connection with such borrowing.
- (iv) Any person lending money to the Company shall be entitled to assume that the Company is acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

(m) *Disclosures of interests in Shares*

- (i) The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the Shares held by the member. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine. The Directors may be required to exercise their powers under the relevant Article on the requisition of members holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings.
- (ii) If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in relation to the Shares in respect of which the default has occurred (the “Default Shares”) and any other Shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. of the class of Shares concerned the direction notice may additionally direct that dividends on such Shares will be retained by the Company (without interest), and that no transfer of Shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

(n) *Untraced Shareholders*

The Company shall be entitled to sell (at a price which the Company shall use its reasonable endeavours to ensure is the best obtainable) the Shares of a member or the Shares to which a person is entitled by virtue of transmission, death, bankruptcy or otherwise by operation of law if and provided that:

- (i) during the period of not less than 12 years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the first thereof) at least three dividends in respect of the Shares in question have become payable and no dividend in respect of those Shares has been claimed; and
- (ii) the Company shall, following the expiry of such period of 12 years, have inserted advertisements, both in a national newspaper and in a newspaper circulating in the area in which the last known address of the member at which service of notices may be effected under these Articles is located giving notice of its intention to sell the said Shares; and
- (iii) during the period of three months following the publication of such advertisements (or, if published on different dates, the last thereof) the Company shall have received indication neither of the whereabouts nor of the existence of such member or person; and
- (iv) notice shall have been given to the London Stock Exchange and the Channel Islands Stock Exchange of its intention to make such sale.

In the case of Shares in uncertificated form, the foregoing provisions of this Article are subject to any restrictions applicable under any regulations relating to the holdings and/or transferring of securities in any paperless system as may be introduced from time to time.

(o) *Dividends*

- (i) The Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
- (ii) Except where the Laws permit, no dividend shall be paid other than out of the gross revenue of the Company less running costs provided always that all monies realised on the sale or other realisation of any capital assets in excess of book value and all other monies in the nature of accretion to capital will not be treated as profits available for dividend but shall be deemed to comprise profits available for distribution for the purposes of the Ordinance and may be used by the Company for the purchase of its own Shares subject to the terms of the Articles. For the purposes of this provision, “running costs” means all of the ongoing costs and expenses of the Company other than management fees and bank interest.
- (iii) Subject to the Articles, unless and to the extent that the rights attached to any Shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid.
- (iv) The Board may at any time declare and pay such interim dividends as appear to be justified by the position of the Company.
- (v) Subject to the Laws, where any asset business or property is bought by the Company as from a past date whether such date be before or after the incorporation of the Company profits and losses as from such date may at the discretion of the Board in whole or in part be carried to revenue account and treated for all purposes as profits and losses of the Company. Subject as aforesaid if any Shares or securities are purchased cum dividend or interest such dividend or interest may at the discretion of the Board be treated as revenue and it shall not be obligatory to capitalise all or part of the same.
- (vi) The Board may deduct from any dividend payable to any member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

- (vii) The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists.
 - (viii) The Board may retain dividends payable upon Shares in respect of which any person is entitled to become a member until such person has become a member.
 - (ix) Any dividend interest or other moneys payable in cash in respect of Shares may be paid by cheque or warrant sent through the post at the risk of the person entitled to the money represented thereby to the registered address of the holder or in the case of joint holders to the registered address of that one of the joint holders who is first named on the share register. Any one of two or more joint holders may give effectual receipts for any dividends interest bonuses or other moneys payable in respect of their joint holdings.
 - (x) No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.
 - (xi) All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of twelve years after having been declared or become due for payment shall be forfeited and shall revert to the Company.
- (p) *Duration of the Company*
- (i) The Company shall have a fixed life to 30 September 2011 or such later date to which it may be extended as described in paragraph (ii) below.
 - (ii) At the annual general meeting in the year 2010, an ordinary resolution will be proposed that the life of the Company be extended by 10 years and thereafter at further 10 yearly intervals and if such resolution is passed (a) the fixed life of the Company will be extended by 10 years to 30 September 2021 (or such other tenth year as the case may be) and references in paragraph (i) above to the year 2011 shall be deemed to be references to the year 2021 (or such other tenth year as the case may be) and (b) from the passing of such resolution all references to particular years in this paragraph (ii) (as the same are at that time to be read pursuant to this paragraph (ii)) shall be deemed to be references to the following tenth year.
 - (iii) If the ordinary resolution referred to in paragraph (ii) above is not passed, the Directors shall convene forthwith an extraordinary general meeting not later than 30 September 2011 and at that extraordinary general meeting, those holders of the Shares who (being individuals) are present in person or by proxy or (being corporations) are present by proxy or by a representative and entitled to vote and who vote in favour of the resolution proposed to wind up the Company voluntarily will collectively have such total number of votes on a poll as is one more than the number of votes which are required to be cast on such a poll for the said resolution to be carried, and upon such resolution being passed then the Company will be wound up accordingly.

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change of control of the Company.

(q) *Investment restrictions*

The Directors shall ensure that where portfolio managers are appointed with individual investment discretion to manage segregated portfolios of the Company, the Company will not invest any of its assets (whether through a subsidiary of the Company or otherwise) in segregated portfolios to the extent that thereafter more than 10 per cent. of the Company's gross assets would in aggregate be contained in such portfolios following such investment. The Board will not propose any amendment to this Article without prior consultation with the UK Listing Authority.

4. Annual Reports

The accounting date of the Company is 30 September each year. Copies of the audited yearly and unaudited half yearly accounts will be sent to the Company's Shareholders. The annual report is published within six months of the annual accounting date.

The Company maintains its books and records in Sterling and reports its NAVs in Sterling and US Dollars (and will report NAVs in Euros if Euro Hedged Shares are issued), as appropriate. The Company prepares its annual report and accounts in accordance with International Financial Reporting Standards.

5. Directors' and Other Interests

- (a) As at 26 August 2008 (the latest practicable date prior to publication of this document), the interests of the Directors with respect to the Company's Shares together with any options in respect of such Shares, including the interests of a person connected with any Director that would, if the person were a Director, be required to be disclosed, and the existence of which is known or could with reasonable diligence be ascertained by that Director, are set out below:

<i>Name</i>	<i>No. of US Dollar Shares</i>	<i>Percentage of US Dollar Shares</i>	<i>No. of Sterling Hedged Shares</i>	<i>Percentage of Sterling Hedged Shares</i>
Raymond Apsey	0	—	5000	0.02%
Keith Dorrian	0	—	0	—
Paul Wrench	0	—	0	—

- (b) None of the Directors (including persons connected with them) intend to subscribe for any Shares under the Issue.
- (c) Paul Wrench is a Director of the Company and also a director of the Manager which will receive fees for its services as described in paragraph 7 below and which is also the manager of various other investment funds. It is possible that the Company may invest in one or more funds whose portfolio is managed by the Manager. In these circumstances, such investments will be made by the Company on an arm's length basis with such funds and Mr. Wrench will abstain from participating in any Board discussion and resolution approving an investment of the Company in a fund connected to Mr. Wrench.
- (d) Both Raymond Apsey and Keith Dorrian are involved in the management of various investment funds. It is possible that the Company may invest in one or more of such investment funds. In these circumstances, such investments will be made by the Company on an arm's length basis with such funds and Mr. Apsey and Mr. Dorrian will abstain from participating in any Board discussion and resolution approving an investment of the Company in a fund connected to Mr. Apsey and Mr. Dorrian, respectively.

Save as disclosed in paragraph 5(c) and this paragraph 5(d) and under "Conflicts of Interest" on page 35, there are no potential conflicts of interest between any duties to the Company of any of the members of the administrative, management or supervisory bodies of the Company and such persons' private interests or other duties.

- (e) Save as disclosed in paragraph 5(d), no Director has or has had an interest in any transactions that are or were unusual in their nature or conditions or significant to the business of the Company or that have been executed by the Company since its incorporation and that remain in any respect outstanding or unperformed.
- (f) There are no existing or proposed service contracts between any of the Directors and the Company. On 14 August 2001, Raymond Apsey, Stuart Mitchell, Ian Domaille, Stuart Carnegie and Paul Dunning were appointed directors of the Company. On 1 April 2005 Stuart Mitchell, Ian Domaille and Paul Dunning resigned from the Board and Keith Dorrian and Paul Wrench were appointed as Directors of the Company. On 12 August 2008 Stuart Carnegie resigned from the Board. The remuneration and benefits in kind of the Directors in respect of the Company's financial year ending 30 September 2007 was £25,000 in the case of the Chairman and £15,000 in respect of the other Directors except Mr Wrench who waived his entitlement to a fee. No amount has been set aside or accrued by the Company to provide pension, retirement or other similar benefits. All of the Directors are non-executive Directors and their tenure is not fixed. All of the Directors (save for Mr Wrench) are independent of the Manager and Investment Adviser. Their remuneration, retirement and re-election will be in accordance with the Articles. No compensation or benefits are payable upon termination of their appointments. There is no notice period specified in the Articles for the removal of Directors.

The aggregate of the remuneration to be paid to, and the benefits in kind to be granted to, the Directors by the Company for the financial year ended 30 September 2008 under the arrangements in force as at the date of this document are not expected to exceed £50,000.

No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.

No commissions or performance-related payments have been or are proposed to be made to the Directors by the Company in connection with the Issue.

- (g) The Directors are or have been at any time in the previous five years members of the administrative, management or supervisory bodies or partners of the following companies or partnerships:

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
Raymond Apsey	Casuarina Investments Limited Casuarina Property Limited HSBC Global Absolute Limited (Chairman) Japan Residential Investment Company Limited (Chairman) Morley Alternative Investment Strategy Fund PCC Limited Speymill Deutsche Immobilien Company plc (Chairman) FRM Strategic Fund PCC Limited FRM Strategic Master Fund Limited FRM Credit Strategies Fund PCC Limited FRM Credit Strategies Master Fund Middlefield Canadian Income Trusts Investment Company PCC (Chairman) FRM Emerging Markets Fund SPC FRM Emerging Markets Master Fund SPC	Morley Absolute Growth Investment Company Limited Middlefield Trust Company Legg Mason Investors American Assets Limited HSBC European Absolute Limited
Keith Dorrian	AB Alternative Strategies PCC Limited AB Asia Pacific Growth Fund Limited AB International Fund PCC Limited Arab Bank Fund Managers (Guernsey) Limited ACUS (Channel Islands) Ltd IIAB PCC Limited Bear Stearns Global Growth Fund Limited Babcock & Brown Public Partnerships Limited FPP General Partner Inc Helios Alternative Strategies Limited Eagle & Dominion Limited ELVEN Investments Limited Eurocastle Investments Limited GTA University Centre Limited HSBC Global Absolute Limited Hermes Absolute Return Fund (Guernsey) Limited	Ashmore Management Company Ltd Assetholder (No. 2) PCC Ltd Boyer Allan Japan Fund Inc Boyer Allan Management Limited Boyer Allan Pacific Fund Inc Boyer Allan (Holding) Inc Dalton Capital (Guernsey) Limited Dalton General Partner Limited Delphi Global Fund Limited Finch Management and Marketing Limited Henderson Management Company (Guernsey) Limited H R Properties Limited Management International (Guernsey) Limited Port Fund Managers (Guernsey) Limited The Finch Fund Limited The Finch Innovation Fund Limited The Sherpa Fund Limited

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
	Hermes Commodities Umberella Fund Limited	Total Return Alternative Strategies Limited
	HCIF Index Sub Fund Limited	Danube Property Fund Limited
	Third Point Offshore Investors Limited	Hermes Commodities Investment Fund Limited
	Montier Asia & Emerging Markets Fund of Funds Limited	Jade (General Partner) Inc.
	MasterCapital Fund Limited	
	Montier Long Short Equity Fund of Funds Limited	
	Montier Asset Management Limited	
	Montier High Alpha Fund of Funds Limited	
	Montier High Alpha Closed End Fund of Funds Limited	
	Montier Multi Strategy Closed End Fund of Funds Limited	
	Montier Multi-Strategy Fund of Funds Limited	
	UK Commercial Property Trust Limited	
	City Road Investment PCC Ltd	
	KAN Consulting Limited	
	FPP Golden Asia Fund Limited	
	Strategic Investments Portfolio Umbrella Limited	
	Strategic Investments Portfolio GP Limited	
	PSource Structured Debt Limited	
Paul Wrench	HSBC Management (Guernsey) Limited	Landsbanki PCC (Guernsey) Limited
	HSBC Global Absolute Limited	Landsbanki Capital International Limited
	HSBC Private Bank World Funds Limited plc	Eurohedge Alpha Limited
	HRMG Nominees Limited	
	Hermitage Capital Management Limited	
	Techtics Capital Management Limited	
	Ark Masters Management Limited	
	Ark Masters Fund	

- (h) As at the date of this document, none of the Directors:
- (i) has any convictions in relation to fraudulent offences for at least the previous five years;
 - (ii) has been bankrupt or been associated with any bankruptcies, receiverships or liquidations of any company or issuer whilst a director or member of the administrative, management or supervisory body of, or a senior manager of, any such company or issuer for at least the previous five years; or
 - (iii) has been subject to any official public incrimination of him and/or sanctions by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, for at least the previous five years.

- (i) The business address of each of the Directors is St Martin's House, Le Bordage, St Peter Port, Guernsey GY1 1BP.
- (j) The Company is receiving legal, financial and accounting advice from Herbert Smith LLP, Landsbanki and KPMG Channel Islands Limited respectively, in addition to certain administrative services from third parties in connection with the Roll Over Issue and the Issue. The professional advisers act for many other clients, including others in the investment funds sector and on occasion the professional advisers may face conflicts of interest as a result of acting both for the Company and such other clients. In the event of a conflict of interest, the professional advisers will take reasonable steps to ensure that it is resolved fairly.

6. Substantial Share Interests

- (a) As at 26 August 2008 (the latest practicable date prior to publication of this document), the Company is not aware of any persons who can directly or indirectly, jointly or severally, exercise control over the Company.
- (b) The Laws impose no requirement on Shareholders in the Company to disclose holdings of 3 per cent. (or any greater limit) or more of the share capital of the Company. However the Disclosure and Transparency Rules provide that certain persons (including Shareholders) must notify the Company if the proportion of the Company's voting rights which they then hold directly or indirectly as a shareholder or through a direct or indirect holding of certain financial instruments reaches, exceeds or falls below thresholds of 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 50 per cent. and 75 per cent.
- (c) As at 26 August 2008 (the latest practicable date prior to publication of this document), save in respect of those Shareholders noted below, insofar as is known to the Company, there is no person who, directly or indirectly, is interested in 5 per cent. or more of any class of the issued share capital of the company:

<i>Holder</i>	<i>Number of US Dollar Shares</i>	<i>Percentage of US Dollar Shares</i>
Euroclear Nominees Limited	16,947,115	30.74%
HSBC Global Absolute Limited	13,758,880	24.96%
BNY (OCS) Nominees Limited	7,970,962	14.46%
HSBC Global Custody Nominee (UK) Limited	6,815,617	12.36%
	<i>Number of Sterling Hedged Shares</i>	<i>Percentage of Sterling Hedged Shares</i>
<i>Holder</i>		
BNY (OCS) Nominees Limited	3,368,487	25.02%
Rathbone Nominees Limited	1,847,045	13.72%
HSBC Global Absolute Limited	1,556,417	11.56%
HSBC Global Custody Nominee (UK)	830,972	6.17%

The voting rights of the major Shareholders in the Company referred to above are no different to those of other Shareholders in the Company.

7. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years immediately preceding the publication of this document which are, or may be, material to the Company, or are contracts which have been entered into by the Company and contain any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

- (a) A management and administration agreement between the Company and the Manager dated 21 September 2001 (as amended by side letters dated 29 November 2005, 16 June 2006, 2 April 2007 and 20 August 2008) (the "Management Agreement"), pursuant to which the Manager, subject to the overall supervision of the Directors, was appointed as the Company's Manager and under the terms

of which the Manager provides or procures the provision to the Company of administration, secretarial, registration, discretionary investment management and other services. The Management Agreement may be terminated by either party on giving not less than six months' notice in writing or by the Company as a result of material or persistent breach by the Manager of its obligations under the agreement or the insolvency of the Manager or if the Company is in the course of being wound up under the provisions of its Articles.

Pursuant to the terms of the Management Agreement (as amended), the Manager is paid periodic fees and (if applicable) performance fees based on the Net Asset Value of the Share classes.

The periodic fees payable in respect of the US Dollar Shares will be paid monthly at a rate equivalent to 1.5 per cent. per annum of the value of the Company's net assets attributable to the US Dollar Shares and will be paid in arrears. The periodic fees payable in respect of the Sterling Hedged Shares will be paid monthly at a rate of 1.5 per cent. per annum of the value of the Company's net assets attributable to the Sterling Hedged Shares and will also be paid in arrears. Periodic fees will be payable in respect of the Euro Hedged Shares (provided such Shares are issued) and will be paid monthly at a rate equivalent to 1.5 per cent. per annum of the value of the Company's net assets attributable to the Euro Hedged Shares and will also be paid in arrears.

In addition, a performance fee will be payable to the Manager if the following conditions are met:

In the case of the US Dollar Shares, if the percentage increase in the Net Asset Value per US Dollar Share (expressed in US Dollars) at the end of a Performance Period as compared with the Net Asset Value per US Dollar Share (expressed in US Dollars) at the start of such Performance Period exceeds the US Dollar Share Performance Hurdle, and provided that the Net Asset Value per US Dollar Share (expressed in US Dollars) as the end of the Performance Period is higher than the Net Asset Value per US Dollar Share (expressed in US Dollars) as at the end of any previous Performance Period.

In the case of the Sterling Hedged Shares, if the percentage increase in the Net Asset Value per Sterling Hedged Share (expressed in Sterling) at the end of any Performance Period as compared with the Net Asset Value per Sterling Hedged Share (expressed in Sterling) at the start of such Performance Period exceeds the Sterling Hedged Share Performance Hurdle and provided that (i) the Net Asset Value per Sterling Hedged Share is equal to, or greater than, 100 pence per Sterling Hedged Share at the end of the Performance Period, and (ii) the Net Asset Value per Sterling Hedged Share (expressed in Sterling) as at the end of a Performance Period is higher than the Net Asset Value per Sterling Hedged Share (expressed in Sterling) as at the end of any previous Performance Period.

In the case of the Euro Hedged Shares (if such Shares are issued) if the percentage increase in the Net Asset Value per Euro Hedged Share (expressed in Euro) at the end of any Performance Period as compared with the Net Asset Value per Euro Hedged Share (expressed in Euro) at the start of such Performance Period exceeds the Euro Hedged Share Performance Hurdle and provided that (i) the Net Asset Value per Euro Hedged Share is equal to, or greater than, the Euro Hedged Share Issue Price at the end of the Performance Period, and (ii) the Net Asset Value per Euro Hedged Share (expressed in Euros) as at the end of a Performance Period is higher than the Net Asset Value per Euro Hedged Share (expressed in Euros) as at the end of any previous Performance Period.

If the relevant conditions are met in respect of any class of Shares then a performance fee will be payable to the Manager (in respect of that class) equal to 10 per cent. of the excess of the percentage increase in the Net Asset Value of the relevant class of Shares in the Performance Period over the US Dollar Share Performance Hurdle, Sterling Hedged Share Performance Hurdle or Euro Hedged Share Performance Hurdle (if such Shares are issued), as the case may be, multiplied by the number of Shares of the relevant class in issue at the last Valuation Point in the Performance Period. Any performance fee payable is subject to a cap equal to 4 per cent. of the Net Asset Value of the relevant class of Share.

Any performance fee remaining accrued at 30 September in each year will be paid to the Manager by the Company and such performance fee, once paid, will not be liable to repayment.

The Manager may waive its rights to the performance fee in whole or in part, at its sole discretion. The performance fee arrangement and the Manager's relationship with the Investment Adviser may create an incentive for the Manager and/or the Investment Adviser to make investments which are more speculative or subject to a greater risk of loss than would be the case if no such fee arrangement existed.

Investors should note that the calculation of the performance fee is based in part upon unrealised profits (as well as unrealised losses) and that such unrealised profits may never be realised by the Company.

If there is any doubt as to the performance fee including, but not limited to, its amount, the matter shall be referred to the Auditors for determination whose decision shall be final.

Each relevant periodic management fee and performance fee shall be paid as soon as practicable after the end of the relevant period.

The Manager shall be entitled to be reimbursed all commissions, transfer fees, registration fees, stamp duty and similar liabilities properly incurred in the performance of its duties to the Company and any other costs incurred with the prior written consent of the Board.

The Management Agreement contains provisions under which the Company exempts the Manager from liability and indemnifies the Manager against liability in the absence of negligence, wilful default or fraud and permits the Manager and its associates to deal with parties other than the Company and to retain profits from such dealings.

- (b) An investment management and advisory agreement dated 21 September 2001 between the Company, the Manager and the Investment Adviser (the "Investment Advisory Agreement"), whereby the Investment Adviser, subject to the overall policies, direction and control of the Directors and the Manager, is appointed to act as the discretionary investment adviser of the portfolio of investments of the Company. The Investment Adviser is required to observe the Company's investment guidelines. These include managing the Company's assets in accordance with: the Company's investment objectives and policies, or such other objectives and policies as Shareholders may approve; the Company's Memorandum and Articles; the Laws; and the investment restrictions set out in paragraph 12 of Part V of this document. The Investment Advisory Agreement may be terminated by the Company or the Manager as a result of material breach by the Investment Adviser of its obligations or on the insolvency of the Investment Adviser or if the Company is in the course of being wound up or if the Investment Adviser ceases to be authorised under FSMA (or its successor) to manage the Company's investments or if the Management Agreement is terminated for any reason. The Investment Advisory Agreement may be terminated at any time thereafter by not less than six months' written notice given by any of the Company, the Manager or the Investment Adviser to the others.

The Investment Advisory Agreement contains provisions under which the Company exempts the Investment Adviser from liability and indemnifies the Investment Adviser against liability in the absence of gross negligence, wilful default or fraud and permits the Investment Adviser and its associates to deal with parties other than the Company and to retain profits arising from such dealings.

The Investment Adviser is entitled to be paid a fee by the Manager out of the fees received by the Manager from the Company under the Management Agreement.

If the Manager fails to make a payment of such a fee to the Investment Adviser, that fee shall at the request of the Investment Adviser be payable to the Investment Adviser by the Company and any amount payable by the Company to the Manager shall be reduced to that extent. The Investment Manager will in addition be entitled to be reimbursed by the Company on invoice all commissions, transfer fees, registration fees, stamp duty and similar liabilities, properly incurred in the performance of its duties under the Investment Advisory Agreement and any other costs incurred with the agreement of the Company or the Manager and otherwise than in the ordinary course of its duties as an investment manager (plus VAT (if applicable)).

- (c) A custodian agreement dated 21 September 2001 between the Company, the Manager and the Custodian (the “Custodian Agreement”) pursuant to which the Company appoints the Custodian to act as custodian of the Company’s investments, cash and other assets and to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians. The Custodian Agreement is terminable in certain limited circumstances, for example, where there is a material breach of the agreement which remains unremedied within 30 days or a receiver is appointed in respect of any of the parties, or any of the parties commence winding up. Unless terminated, the Custodian Agreement is automatically renewed for successive 3 year terms unless not less than 90 days’ notice is given by any of the parties prior to the expiration of the relevant 3 year term. The Custodian is entitled to receive a fee (payable quarterly in arrears) payable by the Manager out of the management fee.
- (d) A sponsorship and placing agreement dated 10 October 2006, between the Company, the Manager, the Investment Adviser and Dresdner Kleinwort (the “October 2006 Sponsorship and Placing Agreement”), pursuant to which Dresdner Kleinwort agreed (i) to use reasonable endeavours to procure places for Shares and to make a public offer of Shares in connection with a placing and offer for subscription of Shares to be conducted by the Company in October 2006 (the “October 2006 Fundraising”) and (ii) to act as sponsor to the Company and to make application, on behalf of the Company, to the FSA for the admission of the Shares issued pursuant to the October 2006 Fundraising to the Official List and to trading on the London Stock Exchange.

For its services in connection with the October 2006 Sponsorship and Placing Agreement, Dresdner Kleinwort was paid (i) a corporate finance fee of £100,000 and (ii) 1.25 per cent. of the gross proceeds of the issue of Shares under the October 2006 Fundraising to the extent that such proceeds derive from investors introduced to the Company by Dresdner Kleinwort, together with any applicable VAT.

Under the October 2006 Sponsorship and Placing Agreement, certain customary warranties were given by the Company to Dresdner Kleinwort. In addition, the Company agreed to indemnify Dresdner Kleinwort against any liability Dresdner Kleinwort might incur in connection with the performance of its obligations under the October 2006 Sponsorship and Placing Agreement provided that such liability is not due to the wilful default, negligence or fraud of Dresdner Kleinwort.

8. Related Party Transactions

The Management Agreement is a material transaction with a related party for the purposes of Financial Reporting Standards – Related Party Transactions. As at the date of this document, no management fee has been paid in respect of the current financial year (i.e. in respect of the period from 1 October 2007). The management fee for the year ended 30 September 2007 was US\$2,134,026 (2006: US\$1,523,766, 2005: US\$1,367,185). The performance fee for the year ended 30 September 2007 was US\$794,494 (2006: US\$180,755, 2005: US\$423,107).

9. General Meetings

The annual general meeting of the Company will be held in Guernsey or such other place as the Directors may determine. Notices convening the annual general meeting in each year at which the audited financial statements of the Company will be presented (together with the Directors’ report and accounts of the Company) will be sent to Shareholders at their registered addresses not later than 14 days before the date fixed for the meeting. Other general meetings may be convened from time to time by the Directors by sending notices to Shareholders at their registered addresses or by Shareholders requisitioning such meetings in accordance with Guernsey law, and may be held in Guernsey or elsewhere.

10. Taxation

The comments below are of a general and non-exhaustive nature based on the Directors’ understanding of the current revenue law and published practice in Guernsey and the United Kingdom, which law and practice is subject to change potentially with retrospective effect. The comments apply to persons who

are the absolute beneficial owners of Shares and are resident or ordinarily resident for taxation purposes in Guernsey or the United Kingdom and who hold their Shares as an investment. The comments may not apply to certain classes of persons, such as dealers in securities and insurance companies.

If you are in any doubt about your tax position, or if you may be subject to tax in a jurisdiction other than Guernsey or the United Kingdom, you should consult your own independent professional adviser.

(a) ***Guernsey***

The Company has tax exempt status in Guernsey pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The exemption is granted on an annual basis, subject to the payment of an annual fee to the States of Guernsey Income Tax Authority, currently fixed at £600. It is the intention of the Directors to apply for such an exemption annually.

Under current legislation in Guernsey there is no liability to capital gains tax, wealth tax, capital transfer tax or estate or inheritance tax on the issue, transfer or realisation of Shares in the Company, nor is any stamp duty or similar tax payable in Guernsey on the issue or transfer of such Shares other than a capital duty assessed on the nominal value of the authorised share capital. This capital duty is payable on creation of the authorised share capital by the Company and is calculated as 0.5 per cent. of the authorised nominal share capital, subject to a maximum payment of £5,000.

No withholding tax or deduction will be made on dividends or other income distributions made by the Company. The Company is, however, required to make a return to the Administrator of Income Tax in Guernsey of the names, addresses and shareholdings of Guernsey resident Shareholders.

In response to the review carried out by the European Union Code of Conduct Group, the States of Guernsey will abolish exempt status for the majority of companies with effect from 1 January 2008 and introduce a zero rate of tax for companies carrying on all but a few specified types of regulated business. However the States of Guernsey Administrator of Income Tax has advised that because collective investment schemes, including closed ended investment vehicles, were among the regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, it is intended that collective investment schemes and closed ended investment vehicles will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007. The Company will therefore be able to continue to apply for exempt status.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

(b) ***United Kingdom***

(i) ***The Company***

The Directors intend to conduct the affairs of the Company so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated there), the Company will not be subject to United Kingdom income tax or corporation tax other than potentially in respect of certain classes of United Kingdom source income.

(ii) ***Shareholders***

The Directors have been advised that, under current law, the offshore fund rules in Chapter V of Part XVIII of the Income and Corporation Taxes Act ("ICTA") 1988 should not apply to Shareholders who acquire Shares in the Company. Accordingly, any gain on a disposal (which includes a redemption) of Shares by a Shareholder resident or ordinarily resident in the United Kingdom for tax purposes, or who carry on a trade in the United Kingdom through a branch, agency or permanent establishment with which their investment is connected may, depending on their circumstances, be taxed as a capital gain for UK tax purposes.

A single rate of capital gains tax at 18 per cent. will apply on a subsequent disposal (which includes a redemption) of Shares by an individual Shareholder who is resident or ordinarily resident in the United Kingdom for taxation purposes. Although taper relief has been abolished for individual Shareholders who dispose of their Shares, such Shareholders may still, depending on their circumstances, benefit from other reliefs and allowances (including a personal allowance which presently exempts the first £9,600 of gains). Holders of Shares who are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

The Government has issued a consultation paper in which it proposes changes to the UK tax regime for offshore funds. Amongst other features this includes a new definition of an offshore fund for tax purposes. Should the Company become subject to the offshore fund rules for UK tax purposes as a result of changes in UK tax law, this may have adverse tax consequences for Shareholders.

UK resident individual Shareholders will be liable to income tax on any dividends received from the Company. United Kingdom resident corporate Shareholders will be liable to corporation tax on any dividends received from the Company, but may in some circumstances be entitled to credit in the United Kingdom in respect of any non-UK tax paid by the Company.

An individual Shareholder resident in the UK for tax purposes and in receipt of a dividend from the Company will be entitled, provided the company is not an offshore fund, to claim a non-repayable one-ninth dividend tax credit on the amount of the dividend received. This dividend tax credit will be available to the individual Shareholder if they own less than a 10 per cent. shareholding in the Company.

The income tax charge in respect of dividends for United Kingdom resident individual Shareholders, other than higher rate taxpayers, will be at the rate of 10 per cent. A higher rate taxpayer will be liable to income tax on dividends received from the Company (to the extent that, taking the dividend as the top slice of the taxpayer's income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent. As a result of applying the dividend tax credit available to individual Shareholders, the effective rates of income tax will be reduced to 0 per cent. and 25 per cent. for lower and higher rate taxpayers respectively. United Kingdom resident Shareholders who are not liable to income tax on their income and those who hold their Shares through a UK ISA will not be subject to tax on dividends.

ICTA 1988 contains provisions (the controlled foreign companies regime) that affect United Kingdom resident companies that are deemed to be interested in at least 25 per cent. of the profits of a non-United Kingdom resident company that is controlled by residents of the United Kingdom and that does not distribute substantially all of its income. The provisions may operate to attribute a proportion of such a company's profits to such 25 per cent. holders.

Individuals ordinarily resident in the United Kingdom for UK tax purposes should note that Chapter II of Part XIII of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

It is anticipated that the shareholdings in the Company will be such as to ensure that the Company would not be a "close company" if it were resident in the United Kingdom (broadly, controlled by five or fewer participants). If, however, the Company would be a close company if so resident, capital gains accruing to it may be apportioned to certain United Kingdom resident Shareholders who may thereby become chargeable to capital gains tax, or corporation tax on chargeable gains, on the gains apportioned to them.

No withholding tax or deduction will be made on dividends or other income distributions made by the Company.

11. Overseas Persons

The attention of investors who are not resident in, or who are not citizens of, the United Kingdom and Guernsey is drawn to sub-paragraphs (a) and (b) below:

(a) General

The offer of Shares under the Issue to persons who are resident in, or citizens of, countries other than the United Kingdom and Guernsey (“Overseas Investors”) may be affected by the law of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to subscribe for Shares under the Issue. It is the responsibility of all Overseas Investors receiving this document and/or wishing to subscribe for Shares under the Issue to satisfy themselves as to full observance of the laws of the relevant territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the United Kingdom or Guernsey may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send it in or into the United States, Canada, Australia or Japan or their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares under the Issue if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

(b) United States

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”), and investors will not be entitled to the benefits of the Investment Company Act.

Any agreement to subscribe for Shares will constitute a warranty that the person agreeing to subscribe for the Shares is not a US Person and an agreement that that person will not offer or sell, directly or indirectly, any of the Shares in the United States or to or for the account or benefit of a US Person.

(c) Roll Over Issue

The offer of Shares under the Roll Over Issue to HEAL shareholders who are resident in, or citizens of countries other than the United Kingdom, the Channel Islands and the Isle of Man may be affected by the law of the relevant jurisdiction. Shareholders should refer to the circular sent to HEAL shareholders on 27 August 2008 for more information on the ability of those HEAL shareholders resident outside the United Kingdom, the Channel Islands and the Isle of Man to receive Shares under the Roll Over Issue.

12. Investment and Other Restrictions of the Company

The Company will only invest in accordance with its investment objective and investment policy as described in Part I of this document. In accordance with the Articles of Association, the Company undertakes to comply with the following restriction:

- any allocation by the Company of its assets to a managed account for management by a particular portfolio manager will be made through separately established wholly or majority-owned limited liability investment companies and will only be permitted if 10 per cent. or less of the Company's gross assets would in aggregate be contained in such managed accounts following such investment. This restriction may only be modified by way of an amendment to the Articles of Association. The Board will not propose any such amendment without prior consultation with the FSA.

In addition, in order to comply with the requirements of the FSA, the Company undertakes to comply with the following restrictions:

- not more than 10 per cent., in aggregate, of the value of the total assets of the Company at the time an investment is made may be invested in other listed closed-ended investment funds, except where those funds have published investment policies which permit them to invest no more than 15 per cent. of their total assets in other listed closed-ended investment funds;
- the Company will, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the investment policy set out on page 25 of this document; and
- the Company will not conduct any trading activity which is significant in the context of the Company and its group as a whole.

In the event of any breach of investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager and/or Investment Adviser by an announcement issued through a Regulatory Information Service or a notice sent to Shareholders at their registered addresses.

13. Miscellaneous

- (a) If the aggregate value of Shares issued under the Roll Over Issue (in Sterling terms) is £47 million and the aggregate value of Shares issued under the Issue (in Sterling terms) is £75 million then the effect would be to increase the total assets of the Company from £108 million as at 26 August 2008, being the latest practicable date prior to the publication of this document, to £230 million.
- (b) As the Roll Over Shares are issued at NAV and the Shares issued under the Issue will be issued at NAV plus a premium to cover the costs and expenses of the Issue, the aggregate net proceeds of the Roll Over Issue and the Issue will still be £123 million.
- (c) By way of illustration, if Elections under the Roll Over Issue were solely for US Dollar Shares and subscriptions under the Issue were solely for US Dollar Shares, the Company would issue a total of 113,588,909 US Dollar Shares (based on 15 August 2008 NAV of \$2.0025 per US Dollar Share). If Elections under the Roll Over Issue were solely for Sterling Hedged Shares and subscriptions under the Issue were solely for Sterling Hedged Shares, the Company would issue a total of 113,250,139 Sterling Hedged Shares (based on 15 August 2008 NAV of £1.0838 per Sterling Hedged Share). If Elections under the Roll Over Issue were solely for Euro Hedged Shares and subscriptions under the Issue were solely for Euro Hedged Shares, the Company would issue a total of 113,584,324 Euro Hedged Shares (based on the US Dollar Share NAV as at 15 August 2008 of \$2.0025 per US Dollar Share, as converted to Euros using the FX rate on 25 August 2008, being an estimated NAV per Euro Hedged Share of €1.3573 per Euro Hedged Share).
- (d) There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months immediately preceding the date of this document which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

- (e) The Manager and the Investment Adviser are or may be promoters of the Company. Save as described in paragraphs 7(a) and 7(b) above and in this paragraph 13, no cash, securities or benefits have, since the date of incorporation, been paid or given by the Company or are now proposed to be paid or given to any promoter.
- (f) There has been no significant change in the financial or trading position of the Company since 30 September 2007, the date to which the last audited report and accounts of the Company were prepared.
- (g) 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. It neither owns nor occupies any premises.
- (h) The register of Shareholders will be maintained at the office of the Registrar.
- (i) The Company's auditors are KPMG Channel Islands Limited, Chartered Accountants, of 20 New Street, St Peter Port, Guernsey GY1 4AN. KPMG Channel Islands Limited has audited the annual accounts of the Company since its incorporation up to 30 September 2007 and have given an unqualified report in respect of those accounts. KPMG Dublin has provided the accountant's report in Part IV of this document. KPMG Dublin has given and not withdrawn its written consent to the inclusion of the accountant's report in Part IV of this document, in the form and context in which it appears.
- (j) Landsbanki is a member of the London Stock Exchange and is authorised and regulated by the FSA. Landsbanki has given and has not withdrawn its consent to the inclusion in this document of its name and the references thereto in the form and context in which they are included.
- (k) The Manager was incorporated and registered in Guernsey on 25 September 1986 as a limited liability company under the Laws with registered number 15988. The Manager has its registered office at HSBC Private Bank Building, St Martin's House, Le Bordage, St Peter Port, Guernsey GY1 1BP and its telephone number at its registered office is +44 (0)1481 759000. The Manager is licensed by the Guernsey Financial Services Commission to carry out controlled investment business under Protection of Investors (Bailiwick of Guernsey) Law 1987. The Manager is not otherwise authorised or regulated by the Guernsey Financial Services Commission.
- (l) The Investment Adviser was incorporated and registered in England and Wales on 13 August 1993 as a limited liability company under the Companies Act 1985 with registered number 02845800. The Investment Adviser has its registered office at 8 Canada Square, London E14 5HQ, United Kingdom and its telephone number at its registered office is +44 (0)20 7860 6532. The Investment Adviser is authorised and regulated by the FSA.
- (m) The Custodian was incorporated in Ireland on 6 September 1994 as a private limited company under the Companies Act 1963 to 2001 (as amended, consolidated or supplemented from time to time) under registration number 221775. The Custodian has its registered office at Block D, Iveagh Court, Harcourt Road, Dublin 2, Ireland and its telephone number at its registered office is +353 1 475 2211. The Custodian is regulated by the Irish Financial Regulator.
- (n) No application is being made for the Shares to be listed or dealt in, on any stock exchange or investment exchange other than the London Stock Exchange and the Channel Islands Stock Exchange.
- (o) There is no over-allotment or green-shoe facility under the Roll Over Issue or the Issue.
- (p) The City Code on Takeovers and Mergers applies to the Company. Under the City Code, if an acquisition of Shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Shares by a person holding (together with its concert parties, if any) Shares

carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

- (q) Certain information contained in this document has been sourced from third parties. Such information has been accurately reproduced and, as far as the Company is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (r) The publication or delivery of this document shall not under any circumstances imply that the information contained in this document is correct as at any time subsequent to the date of this document or that there has not been any change in the affairs of the Company since that date.

14. Principal Investments

The Company's 12 largest investments (representing 54.87 per cent. of the Company's portfolio) as at 26 August 2008 were:

<i>Name</i>	<i>Amount (US\$)</i>	<i>Percentage of Portfolio</i>
Harbinger Capital Partners Offshore Fund I, Ltd.	7,409,270.68	6.81%
Tewksbury Investment Fund Ltd.	5,848,869.48	5.38%
GLG Emerging Markets Fund	5,173,923.92	4.76%
Tudor BVI Global Fund Ltd.	4,777,971.96	4.39%
Paulson Advantage Ltd.	4,767,614.40	4.38%
Raptor Global Fund Ltd. (The)	4,601,155.21	4.23%
Brevan Howard Fund Limited	4,383,048.99	4.03%
Farallon Capital Offshore Investors, Inc.	4,378,058.04	4.02%
Lansdowne UK Equity Fund Limited	4,317,445.02	3.97%
Diamondback Offshore Fund, Ltd.	4,146,560.84	3.81%
Highbridge Capital Corporation	4,116,080.42	3.78%
SR Global Fund Inc (Class G) Emerging Markets Portfolio	4,053,291.70	3.73%

15. Unaudited Analysis of Investment Portfolio

As at 26 August 2008 (being the latest practicable date prior to the publication of this document), the portfolio comprised 36 investments with an aggregate value, at their closing mid-market prices on that date, of \$108,569,925 million.

The following table shows the composition by nature of securities of the portfolio as at 26 August 2008 (being the latest practicable date prior to the publication of this document):

<i>Nature of securities</i>	<i>Percentage of Total</i>
Hedge funds (equity shares)	100%
Total	<u>100%</u>

The following table shows the composition by currency of the portfolio as at 26 August 2008 (being the latest practicable date prior to the publication of this document):

<i>Currency</i>	<i>Percentage of Total</i>
US Dollar	100%
Total	<u>100%</u>

At the close of business on 26 August 2008 the portfolio had allocations to the following strategies:

<i>Name</i>	<i>Percentage of Portfolio</i>
Convertible Arbitrage	9.76%
Equity Long/Short	31.71%
High Yield/Distressed	7.32%
Macro	12.20%
Managed Futures	4.88%
Market Neutral	7.32%
Multi-Strategy/Event Driven	26.83%

The following table shows Manager's estimates of the composition of the geographic exposure of the underlying hedge funds as at 26 August 2008, by geographic region:

<i>Name</i>	<i>Percentage of Portfolio</i>
North America	14.63%
Europe	17.07%
Japan	4.88%
United Kingdom	4.88%
Global/Unspecified	58.54%

With reference to the Company's largest investments as described in paragraph 14 above, two are globally focused multi-strategy (Paulson Advantage Ltd and Farallon Capital Offshore Investors), three are global macro focused (GLG Emerging Markets Fund, Tudor BVI Global Fund and Brevan Howard Fund), a further two managers are focused on US long/short (Raptor Global Fund and Diamondback Offshore Fund). The other managers focus on the following strategies: UK long/short equity (Lansdowne UK Equity), global systematic strategy (Tewksbury Investment Fund), global high yield/distressed (Harbinger Capital Partners), global arbitrage multi-strategy (Highbridge Capital Corporation) and finally Asia equity long/short (SR Global Fund).

16. Working Capital

In the Company's opinion, the Company has sufficient working capital for its present requirements (that is, for at least the 12 months following the date of this document).

17. Capitalisation and Indebtedness

The following table shows the Company's unaudited gross indebtedness as at 26 August 2008 (being the latest practicable date prior to the publication of this document). The information below has been extracted without material adjustment from unaudited internal management accounting records:

	<i>As at 26 August 2008 (US\$ '000)</i>
Total current debt	
Guaranteed/Secured	9,201
Unguaranteed/Unsecured	Nil
Total:	<u>9,201</u>
	<i>As at 26 August 2008 (US\$ '000)</i>
Total non-current debt	
Guaranteed/Secured	Nil
Unguaranteed/Unsecured	Nil
Total:	<u>Nil</u>

The following table shows the capitalisation of the Company as at 30 September 2007 (the last date in respect of which audited financial information of the Company has been published).

	<i>As at 30 September 2007 (US\$ '000)</i>
Shareholder's equity	
Share Capital	135,598
Legal reserve	Nil
Other reserve	Nil
Total:	<u>135,598</u>

Notes:

1. Legal reserve and other reserve do not include profit and loss reserves

As at 26 August 2008 (being the latest practicable date prior to the publication of this document) share capital stood at \$107,811,000. Save in respect of this change to share capital, there has been no change to Shareholders' equity between 30 September 2007 and 26 August 2008 (being the latest practicable date prior to the publication of this document).

As at 26 August 2008 (being the latest practicable date prior to the publication of this document), the Company had no indirect or contingent indebtedness.

The following table shows the Company's unaudited net indebtedness as at 26 August 2008 (being the latest practicable date prior to the publication of this document). The information below has been extracted without material adjustment from internal management accounting records:

	<i>US\$ '000</i>
A. Cash	438
B. Cash equivalent	Nil
C. Trading securities	Nil
D. Liquidity (A + B + C)	438
E. Current financial receivable	Nil
F. Current bank debt	(9,201)
G. Current portion of non-current debt	Nil
H. Other current financial debt	Nil
I. Current financial debt (F+G+H)	(9,201)
J. Net current financial indebtedness (I-E-D)	(8,763)
K. Non-current bank loans	Nil
L. Bonds issued	Nil
M. Other non-current loans	Nil
N. Non-current financial indebtedness (K+L+M)	Nil
O. Net financial indebtedness (J+N)	(8,763)

18. Documents Available for Inspection

Copies of the following documents are available for inspection at the registered office of the Company and of the Investment Adviser during normal business hours of any Business Day during the period of twelve months from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) this document;
- (c) the circular sent to HEAL shareholders relating to the Roll Over Issue dated 27 August 2008;
- (d) the audited financial statements of the Company for the years ended 30 September 2005, 30 September 2006 and 30 September 2007; and
- (e) the unaudited interim financial information of the Company for the six months ended 31 March 2008.

Further copies of this document may be obtained, free of charge, from the registered office of the Company and from:

HSBC Alternative Investments Limited
78 St James's Street
London
SW1A 1JB

27 August 2008

DEFINITIONS

In this document the following expressions shall have the meanings set out below, save where the context may otherwise require:

“Adjusted Total of Capital and Reserves”	the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company and the amounts standing to the credit or debit of the capital and revenue reserves (including share premium account, capital redemption reserve fund, investment reserve and profit and loss account) of the Company, all as shown in the latest audited balance sheet of the Company or any other balance sheet of the Company approved by the Directors but adjusted as may be appropriate in respect of any variation in such paid up share capital, share premium account, capital redemption reserve fund, investment reserve and profit and loss account since the date of such balance sheet
“Admission”	application for admission all of the US Dollar Shares, Sterling Hedged Shares and Euro Hedged Shares to be issued pursuant to the Roll Over Issue, and for all US Dollar Shares, Sterling Hedged Shares and, if Euro Hedged Shares are issued pursuant to the Roll Over Issue, Euro Hedged Shares to be issued pursuant to the Issue, to the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective
“Articles”	the articles of association of the Company in force from time to time
“Auditors”	KPMG Channel Islands Limited
“Basic Entitlement”	the entitlement of each Shareholder to tender for purchase by the Company (in respect of each Tender Date on which the Directors determine to operate the tender offer facility) up to such percentage of the Shares of each class registered in such Shareholder’s name on the Record Date, rounded down to the nearest whole number, as shall be determined by the Directors
“Board” or “Directors”	the Board of Directors of the Company
“Business Day”	any day (other than a Saturday or Sunday) on which commercial banks are open for general business in London and Guernsey
“Capita Registrars”	a trading division of Capita IRG PLC
“certificated” or “certificated form”	not in uncertificated form
“Channel Islands Stock Exchange”	the Channel Islands Stock Exchange, LBG
“Company” or “Fund”	HSBC Global Absolute Limited
“Conversion Date”	has the meaning given to it in Part I of this document
“CREST Guernsey Requirements”	means Rule 22 and such other of the rules and requirements of Euroclear UK and Ireland Limited as may be applicable to issuers as from time to time specified in the CREST Manual

“CREST Manual”	the document entitled “CREST Reference Manual” issued by Euroclear UK and Ireland Limited
“CREST” or “CREST system”	the paperless settlement procedure operated by Euroclear UK and Ireland Limited enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument
“Custodian”	State Street Custodial Services (Ireland) Limited
“Custodian Agreement”	the agreement dated 21 September 2001 between the Company, the Manager and the Custodian (the “Custodian Agreement”) pursuant to which the Company appoints the Custodian to act as custodian of the Company’s investments, cash and other assets and to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FSA under Part VI of FSMA
“Election”	the election made by HEAL shareholders to receive securities in the Company or cash in the winding-up of HEAL (including, where the context so permits a deemed election for securities in the Company or for cash in the winding-up)
“ERISA”	the US Employee Retirement Income Security Act of 1974, as amended
“Euro” or “€”	the Euro, being the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
“Euro Hedged Share Issue Price”	the price at which the first Euro Hedged Shares to be issued in the Company are issued
“Euro Hedged Share Performance Hurdle”	the prevailing level of Euro 3 Month LIBOR plus 100 basis points, subject to a minimum of 1.5 per cent. and a maximum of 10 per cent.
“Euro Hedged Shares”	redeemable participating preference Shares of 1p each in the capital of the Company which are designated as Euro Hedged Shares
“Euro 3 Month LIBOR”	the three month LIBOR rate for Euro deposits
“Excluded Overseas Holders”	a holder of shares in HEAL who is a US Person (as defined in Rule 902 under the Securities Act or who has a registered address in the United States, Canada, Australia or Japan and any holder of shares in HEAL the Directors determine should be an Excluded Overseas Holder because the issue of Shares in the Company to such shareholder would violate any overseas laws and regulations
“Forward”	a contractual obligation by one party to buy and another party to sell a financial instrument, equity, commodity or currency at a specific future date

“Founder Shares”	100 ordinary Shares of £1 each, conferring the right to receive out of the profits of the Company available for distribution as dividend and from time to time resolved to be distributed a fixed cumulative preferential dividend at the annual rate of 0.01 per cent. on the nominal amount of each of the Shares, payable annually in arrears on 30 September in respect of the twelve-month period ending on such date, and not forming part of the Net Asset Value of the Company
“FSA”	the United Kingdom Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 of the United Kingdom
“GDR”	Global Depositary Receipt
“GFSC”	the Guernsey Financial Services Commission
“G8”	the group of eight countries comprising the United Kingdom, the United States, Canada, Japan, Germany, Italy, France and Russia
“HEAL”	HSBC European Absolute Limited
“HEAL Euro Shares”	redeemable participating preference shares of 1p each in the capital of HEAL which are designated as euro shares
“HEAL Sterling Hedged Shares”	redeemable participating preference shares of 1p each in the capital of HEAL which are designated as sterling hedged shares
“HFRI Fund of Funds Composite Index”	the HFRI Fund of Funds Composite Index is a composite of multi-strategy funds of hedge funds and is an independent performance measurement for the alternative investments market
“HSBC Group”	HSBC Holdings plc, together with its subsidiaries, subsidiary undertakings and associates
“HSBC Private Bank”	the international private banking business of the HSBC Group
“IASB”	International Accounting Standards Board
“ICTA”	Income and Corporation Taxes Act 1988
“IFRS”	International Financial Reporting Standards
“ISA”	Individual Savings Account
“Issue”	the placing by Landsbanki of Shares at the relevant Issue Price each month until the date 12 months after the date of this document
“Investment Adviser” or “HAIL”	HSBC Alternative Investments Limited
“Investment Advisory Agreement”	the investment advisory agreement between the Company, the Investment Adviser and the Manager, details of which are set out in paragraph 7 of Part V of this document
“Investment Company Act”	the US Investment Company Act of 1940, as amended
“Landsbanki”	Landsbanki Securities (UK) Limited
“Laws”	The Companies (Guernsey) Laws 2008 (as amended)

“LIBOR”	The London Inter-Bank Offer Rate
“Listed investment company”	an investment company (within the meaning of Section 842 of the UK Income and Corporation Taxes Act 1988) listed on the Official List and admitted to trading on the main market for securities of the London Stock Exchange
“Listing Rules”	the listing rules of the FSA or the listing rules of the Channel Islands Stock Exchange, as the context may require
“London Stock Exchange”	London Stock Exchange plc
“Management Agreement”	the management agreement between the Company and the Manager details of which are set out in paragraph 7 of Part V of this document
“Manager” or “HMG”	HSBC Management (Guernsey) Limited
“Memorandum”	the Company’s Memorandum of Association
“Minimum Class Requirement”	in respect of each class of Shares an aggregate Net Asset Value of £1million, \$1million or €1 million, as the case may be
“MSCI World Index (Gross in USD)”	the MSCI World Index (Gross in USD) is the Morgan Stanley Capital International Equity Index for developed markets in US Dollars
“Net Asset Value” or “NAV”	at any time the net asset value of the Company in total or (as the context requires) per Share, calculated in accordance with the Company’s accounting policies
“Net Asset Value Calculation Date”	the date on which the Company calculates its Net Asset Value in accordance with its accounting policies from time to time
“Net Proceeds”	the aggregate net proceeds of the Issue (after deduction of all expenses and commissions relating to the Issue and payable by the Company)
“New Shares”	Shares issued pursuant to the Issue
“Nominal Shares”	non-participating redeemable Shares of £0.01 each
“Offer Period”	any period in respect of which the Directors may determine, in their sole discretion, to issue Shares
“Official List”	the list maintained by the FSA pursuant to Part VI of FSMA
“Ordinance”	the Companies (Purchase of Own Shares) Ordinance
“Overseas Investors”	persons who are resident in, or citizens of, countries other than the United Kingdom and Guernsey
“Performance Hurdle”	has the meaning given to that term in the Management Agreement
“Performance Period”	has the meaning given to the term in the Management Agreement
“portfolio manager”	portfolio managers appointed by the Company or the Manager or the Investment Adviser to manage segregated portfolios of the Company directly or through separately established, wholly- or partly-owned investment companies

“Prospectus”	this document
“Prospectus Directive Regulation”	Prospectus Directive Regulation (No 2004/809/EC)
“Prospectus Rules”	the prospectus rules made by the FSA under section 73A of FSMA
“Record Date”	close of business on 29 June and 30 December in each year, or if such date is not a Business Day then the immediately preceding Business Day
“Redemption Date”	30 June and 31 December in each year or if such a date is not a Business Day then the immediately preceding Business Day but does not include any date on or before which a resolution to wind up the Company is passed
“Registrar”	Capita Registrars (Guernsey) Limited
“Regulatory Information Service”	a recognised regulatory information service as defined in the Listing Rules
“Regulation S”	Regulation S under the Securities Act
“Roll Over Issue”	the issue of US Dollar Shares and/or Sterling Hedged Shares and/or Euro Hedged Shares (as appropriate) to former HEAL shareholders as more fully described in Part II of this document
“Roll Over Issue Shares”	Shares issued by the Company pursuant to the Roll Over Issue
“Securities Act”	the US Securities Act of 1933, as amended
“Shareholder”	a holder of Shares
“Shares”	redeemable participating preference shares of 1p each in the capital of the Company in issue and designated as US Dollar Shares and/or Sterling Hedged Shares and/or Euro Hedged Shares and “Share” shall be construed as the context may require
“Sponsorship and Placing Agreement”	the agreement dated 10 October 2006, between the Company, The Manager, the Investment Adviser and Dresdner Kleinwort
“State”	a state of the United States of America
“Sterling”, “£” or “GBP”	the lawful currency of the United Kingdom
“Sterling 3 Month LIBOR”	the three month LIBOR rate for Sterling deposits
“Sterling Hedged Share Performance Hurdle”	the prevailing level of Sterling 3 Month LIBOR plus 100 basis points, subject to a minimum of 1.5 per cent. and a maximum of 10 per cent.
“Sterling Hedged Shares”	redeemable participating preference Shares of 1p each in the capital of the Company which are designated as Sterling Hedged Shares
“Tender Dates”	30 June and 31 December in each year, or if such date is not a Business Day then the immediately preceding Business Day but does not include any date on or before which a resolution to wind up the Company is passed

“Tender Form”	the form which a Shareholder must complete in order to indicate his acceptance of a tender offer by the Company
“Transfer Agreement”	the transfer agreement between the Company, HEAL and PricewaterhouseCoopers LLP (as liquidator of HEAL) details of which are set out in paragraph 7 of Part V of this document
“Transfer Portfolio”	the portfolio of assets to be transferred to the Company pursuant to the Transfer Agreement, details of which are set out in Part II of this document
“TTE Instruction”	a transfer to escrow instruction (as described in the CREST manual issued by Euroclear UK & Ireland Limited)
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated form” or “in uncertificated form”	recorded on the register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“Unclassified Shares”	100,000 unclassified Shares of 1p each which the Directors may issue as one or more classes of Shares or as non-participating redeemable shares of GBP0.01 each (Nominal Shares)
“United States”, “US”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“US Dollar” or “US\$” or “USD”	the lawful currency of the United States
“US Dollar 3 Month LIBOR”	the three month LIBOR rate for US Dollar deposits
“US Dollar Share Performance Hurdle”	the prevailing level of US Dollar 3 Month LIBOR plus 100 basis points, subject to a minimum of 1.5 per cent. and a maximum of 10 per cent.
“US Dollar Shares”	redeemable participating preference Shares of 1p each in the capital of the Company which are designated as US Dollar Shares
“US Person”	has the meaning given in Regulation S
“Valuation Point”	has the meaning given to that term in the Management Agreement

