

08 MAI 2003



**Annual Report — 2002**

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## Business Activity

# Business Activity

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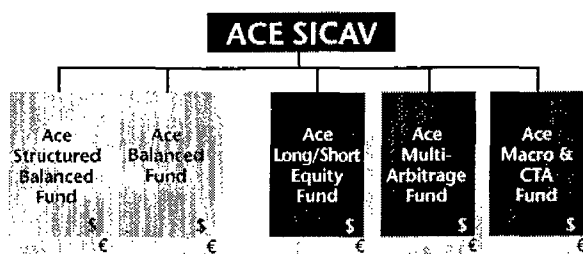
# Letter from the Board

## The Company

Effective September 2<sup>nd</sup>, 2002, ACE Ltd. has been transferred from the Cayman Islands to Luxembourg, by way of re-domiciliation and changed its name to Alternative Capital Enhancement SICAV. The Company is an open-ended "umbrella" fund and offers exposure to both multi-strategy and single strategy funds through a family of Sub-Funds, each with different investment objectives. All Sub-Funds are available in USD. If not already existing, EURO classes will be launched in the course of 2003.

- ACE Balanced Fund (USD)
- ACE Long Short Fund (USD)
- ACE Multi Arbitrage Fund (USD)
- ACE Macro Fund (USD)
- ACE Structured Balanced Fund (USD / EUR)

ACE Structured Balanced Fund is reserved as the underlying vehicle for capital guaranteed structured notes.



## Objectives

Although each of the 5 investment strategies available has its own objectives, the overall objective is to deliver consistent capital appreciation in the value of the assets by placing the assets with Investment Funds considered by the Investment Manager, on the basis of its analysis, to be managed by some of the most talented managers in a variety of different investment areas which are non-traditional. The prime objective is to achieve a superior risk adjusted performance, i.e. long-term return in USD on the aggregate assets of the Company.

## Investment Manager

Alternative Capital Enhancement is managed by 3A - ALTERNATIVE ASSET ADVISORS one of Switzerland's leading specialists in alternative investments. 3A SA is a division of the SYZ & CO Group. 3A applies a rigorous screening process to select the best hedge fund managers world-wide and build multi-manager portfolios, such as Alternative Capital Enhancement.

## Investment Process

The Investment Manager will identify, research and monitor managers with the objective of forming a judgement as to (i) their systematic or persistent market and non-market risks and (ii) their ability to produce attractive risk-adjusted performance, and with such information the Investment Manager will construct and maintain portfolios principally composed of Investment Funds that match each Sub-Fund's objectives. Within the constraints imposed by the investment objectives, policies and restrictions of each Sub-Fund, the Investment Manager will seek to achieve a balanced investment portfolio for each Sub-Fund by spreading assets among various Investment Funds using different managers and investment strategies and models.

The analysis of the manager's style and strategy will seek to determine, by applying both qualitative and quantitative techniques, any systematic or persistent biases that might bear on the manager's investment suitability. The Investment Manager believes that a thorough due-diligence effort is required to minimize the investment risks of, and increase diversification for, the Company's Sub-Funds.

## Dividend Policy

The Alternative Capital Enhancement SICAV seeks long-term capital appreciation and therefore a distribution by way of dividends will not be made.

## Review of the Financial Markets in 2002

2002 was a lacklustre year, marked by numerous disappointments. From a purely macro-economic standpoint, fears of a fresh downturn in activity were the main focal point of expectations from the second quarter of the year onwards. The extremely erratic pattern of US growth partly accounts for this low degree of visibility. In addition, the sharp fall in equity markets during the second and third quarters of 2002, followed by increasing geopolitical anxiety and its impact on household consumption, also explain the wait-and-see attitude of companies to issues such as investment and employment, and account for the extremely low level at which the stock/sales ratio was maintained. World growth was therefore modest and disappointing. US consumers, who had benefited substantially from accommodating monetary and fiscal policy at the beginning of 2002, once again proved to be the sole drivers of the global economy, while Europe and Japan saw their domestic demand stagnate. This growth differential is reflected in the deterioration of the US external deficit, which has reached worrying levels. The weakness of the dollar, against both the euro and the yen, is to a large extent a consequence of this structural deficit, too long overshadowed by expectations of higher yields – which subsequently proved unfounded.

Against this backdrop, despite a positive first quarter and several attempted rebounds, particularly in August and October, the equity market fell significantly for the third year in a row. The S&P 500 gave up 23.4%, the Nasdaq tumbled 31.5% and the MSCI World fell 25.2%. Europe was one of the hardest-hit markets, with the DJ Euro Stoxx losing 34.5%, while the fall on the Japanese Nikkei index was less dramatic (-18.6%) thanks to a very good performance during the first half of 2002. Consequently, most stock markets are starting 2003 back at their 1997 levels.

Clearly, government bonds have benefited enormously from the "flight to quality" resulting from the increase in risk aversion. Moreover, expectations of an interest rate rise by the Fed, which were prevalent at the beginning of 2002, were very quickly dispelled by fears of a double-dip, with an ominous whiff of deflation, forcing the Fed to lower its key rates once again in November, followed a month later by the ECB. All-in yields on US and European government bonds with maturities between 3 and 5 years were therefore 11.4% and 10.0% respectively, while that of the SBWGBI index, expressed in dollars, reached 19.5%. As regards corporate bonds, performance was closely correlated with the equity market. Credit spreads again widened substantially from the second quarter onwards, in the wake of accounting scandals, concerns over excessive debt levels of TMT companies and the collapse of the equity market. Large numbers of companies in all business sectors saw their debt ratings downgraded by the principal rating agencies. The rebound of the equity market during October, led by the Telecoms sector, gave corporate bonds a slight breathing space: the credit spread narrowed, enabling them to record a positive performance over the last quarter. However, for 2002 overall, the ML High Yield index, expressed in dollars, lost 1.1%.

## Portfolio Performance

2002 witnessed a significant reduction in hedge fund returns. The Tremont-Credit Suisse First Boston Hedge Fund Index closed the year up 3.0 %. In this difficult environment ACE Balanced fared well, posting a +5.3% gross return that translates in a net performance of 3.5%.

The best performing part of the investment portfolio was the segment dedicated to Global Macro Hedge Funds, which returned a gross +11.4% for the year. The bulk of this strong performance was realized via long positions in US mid and long term sovereign bonds. Towards the end of the year, the depreciation of the USD versus the EURO also added to the returns of the Global Macro segment. Overall, Macro funds added a gross +1.5 % to total performance ACE Balanced.

The Event-Driven and Relative Value portfolio - which includes strategies such as convertible bond arbitrage, merger arbitrage, fixed income arbitrage, high yield and distressed securities and equity market neutral strategies - generated +7.1% for the year. While this performance is slightly below the results achieved in 2002 (+10.2%), the environment was far more challenging. Corporate activity slowed down and credit spreads expanded on the back of increased risk aversion fuelled by record default rates. Overall, all of the underlying strategies of the Event Driven and Relative Value portfolio were profitable. The largest contributors were the emerging market bond strategies, followed by convertible arbitrage. The Event-Driven and Relative Value portfolio contributed +3.0% to the total performance of ACE Balanced.

The Long Short Equity Portfolio closed the year marginally positive (+2.8%), adding slightly less than a percent (+0.9%) to ACE Balanced's total performance. While this compares very favourably with major equity indices, this performance was disappointing in absolute terms. All but three funds posted positive performance for the year with particularly good results from value managers. Losses were recorded in the more long biased strategies in the Asian portion of the portfolio. However, the position was small compared to other investments since it had been sized according to its higher risk characteristics, which resulted from the directional exposure of the long biased strategy.

## Portfolio Review

The turnover of the portfolio was unusually high during the year. The major changes can be summarized in two main strategic decisions:

1. Reallocation of capital from Long Short Equity funds to Relative Value funds.
2. Diversification of the Macro Portfolio.

The first objective was to protect ACE Balanced's capital by reducing its exposure to equity markets and increase the allocation to corporate bonds. This move was made under the assumption that credit spreads discounted a significantly worse environment than that expressed by equity market valuations. While, at the time, this may have appeared as a potentially challenging switch, it ultimately paid off as this exposure was a strong contributor to ACE balanced's performance.

The second material change in the portfolio relates to the diversification of the Macro segment. Some core positions were redeemed for considerations relating to recent performance, investment style and risk management. Part of the proceeds was reallocated to both discretionary and systematic traders. The main consideration when constructing the Macro Portfolio has been to focus on the talent of the individual manager and the overall level of correlation in the trades implemented. This trend has continued during the first quarter of 2003, as two more Macro funds were introduced to the portfolio.

### ACE Structured Balanced Fund

Ace Structured Balanced was also restructured during the year in anticipation of the maturity of a structured product (ACE EMTN 1998-2003) linked to the fund's performance. As a consequence, cash levels began to increase at the end of the year, in anticipation of the connected redemption, which will occur as expected during the second quarter of the year. Secondary activity in the EMTN (European Medium Term Note) linked to Ace Structured Balanced were also important during the year especially around the transfer period of the SICAV from the Cayman Island to Luxembourg. We consider that such level of secondary activity was exceptional and should stabilize during 2003.

### New funds

On December 1st, 2002, three new compartments were opened: ACE Long Short Fund (USD), ACE Multi Arbitrage Fund (USD) and ACE Macro Fund (USD). All three posted positive performances during their first month of activity. ACE Balanced Fund in EUR was launched in February 2003.



## Data & Graphs

### Performance in 2002

Performance for the year in USD	Inception date	31.12.01	31.12.02	2002	
ACE Balanced Fund (USD)	1 August 1998	1'411.61	1'460.89	3.49%	
ACE Structured Balanced Fund (USD)	1 August 1998	1'411.61	1'461.59	3.54%	
ACE Structured Balanced Fund (EUR)	1 September 2002	N/A	1'022.53	2.25%	*
ACE Long Short Fund (USD)	1 December 2002	N/A	1'001.29	0.13%	**
ACE Multi Arbitrage Fund (USD)	1 December 2002	N/A	1'005.63	0.56%	**
ACE Macro Fund (USD)	1 December 2002	N/A	1'023.91	2.39%	**

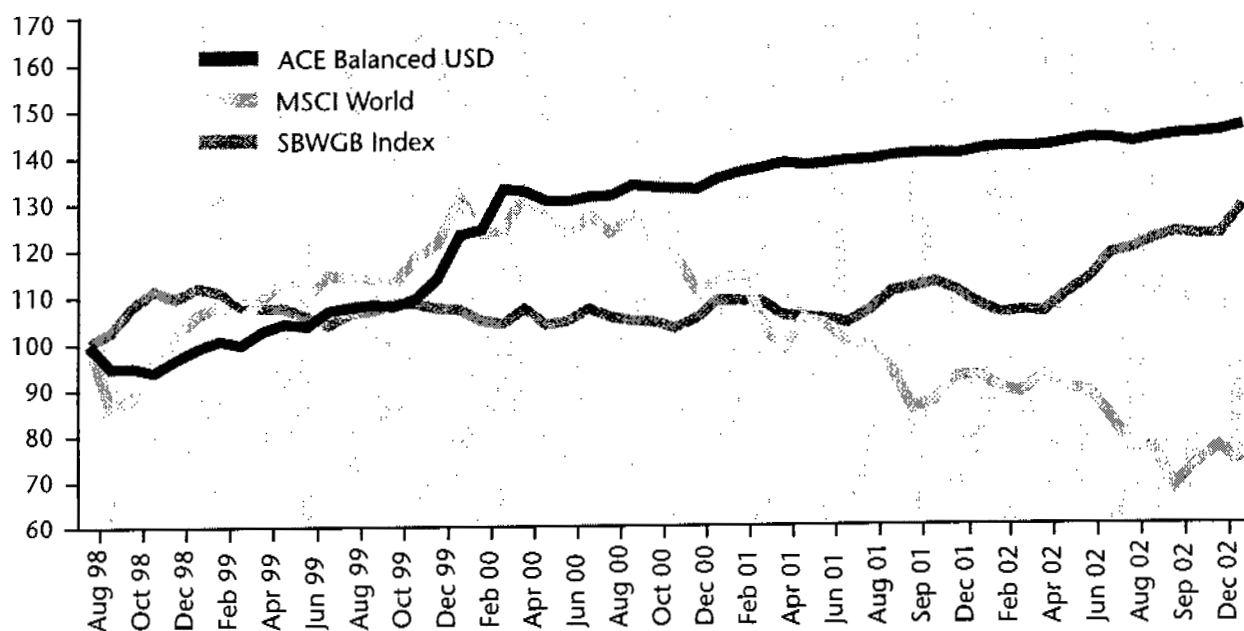
\* 4 months

\*\* 1 month

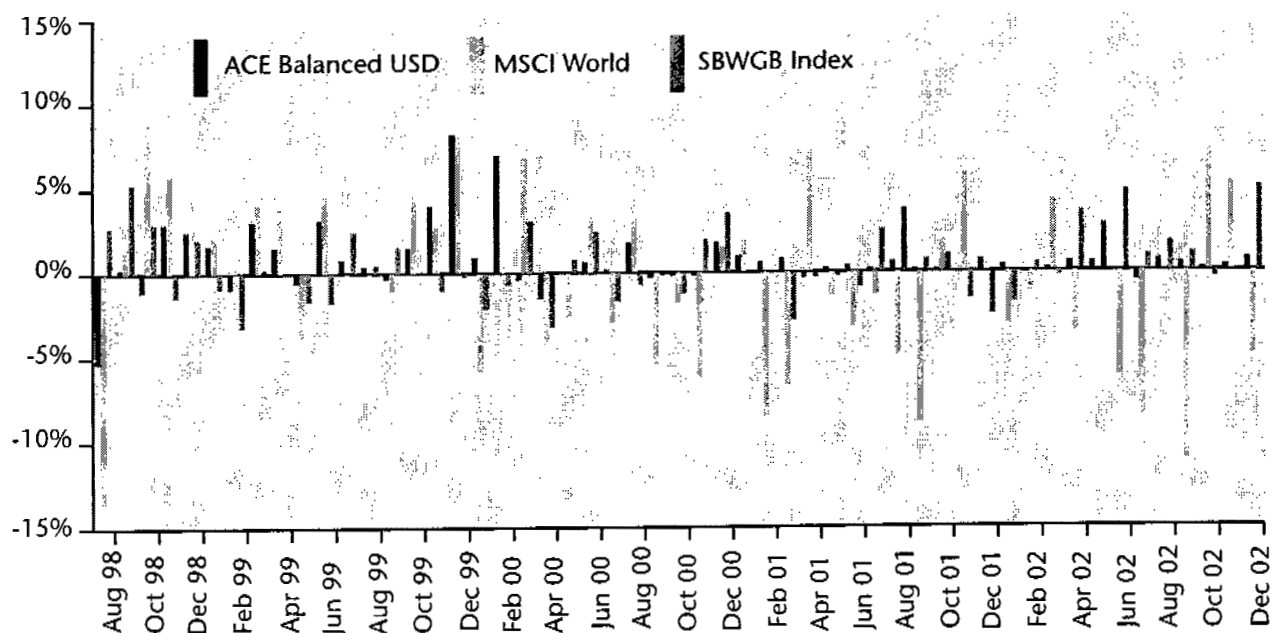
### Statistics

Performance for the year in USD	ACE Balanced USD	MSCI World	SBWGB Index	S&P 500
Since Inception Performance	46.09%	(26.83%)	28.91%	(21.49%)
Annualized Performance	8.96%	(6.83%)	5.92%	(5.33%)
Annualized Volatility	6.66%	18.00%	7.40%	19.54%
Sharpe Ratio	0.59	(0.57)	0.15	(0.43)
Best Month	8.18%	8.91%	5.32%	9.67%
Worst Month	(5.33%)	(13.45%)	(3.27%)	(14.58%)
% of positive month	69.81%	47.17%	49.06%	47.17%
% of negative month	30.19%	52.83%	50.94%	52.83%

ACE Balanced Fund (USD) - Cumulative Performance



ACE Balanced Fund (USD) - Monthly Comparison



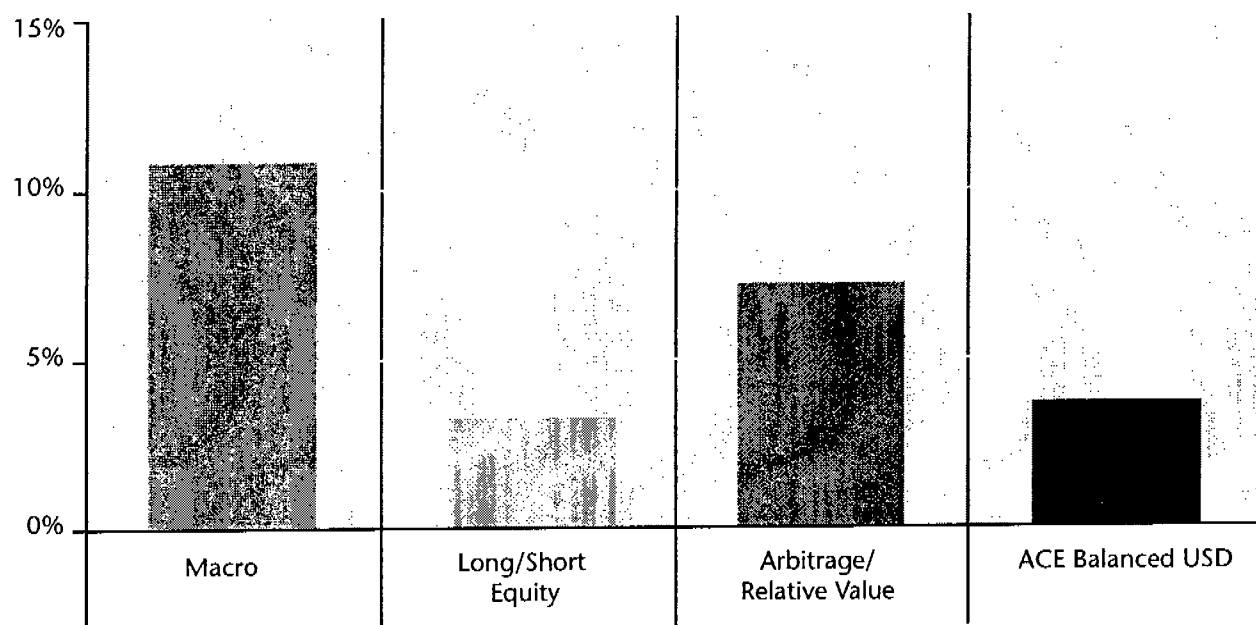
ACE Balanced Fund (USD) - Holdings as of 31.12.02

Style	Money Managers	Weighting 31.12.02	Valuation 31.12.02	Performance 2002*
Macro	Capital Fund	2,15%	945 308	8,41%
	Framework	3,79%	1 665 776	2,04%
	Graham Glob. - Fed	1,69%	742 665	23,44%
	Moore Global FI	1,98%	871 386	13,55%
	R. G. Niederhoffer	0,83%	366 191	(4,50%)
	Rotella Polaris	0,98%	428 877	11,85%
	Rubicon	1,73%	758 381	55,51%
	Tudor BVI	2,20%	968 432	58,34%
	<b>Subtotal</b>	<b>15,36%</b>	<b>6 747 016</b>	
Long/Short Equity	Crescendo European	5,13%	2 253 239	7,08%
	DMG Legacy	2,42%	1 063 624	13,33%
	Egerton	2,32%	1 018 086	22,10%
	Hunter Global Inv.	1,41%	619 391	1,39%
	Lansdowne UK Equity	1,85%	811 617	7,73%
	LG Asian	0,95%	416 227	(11,19%)
	Maverick	3,36%	1 473 997	73,01%
	Meditor European	2,56%	1 126 250	55,77%
	RedSky Horizon	2,11%	924 648	(1,19%)
	Standard Pacific	3,66%	1 607 973	6,60%
	Theorema Europe	2,11%	924 737	(1,81%)
	Welch Entrepreneurial	2,03%	893 553	1,32%
	<b>Subtotal</b>	<b>29,90%</b>	<b>13 133 342</b>	
Relative Value	Arbitex Investors	2,45%	1 076 951	20,88%
	Battery Park High Yield	1,53%	672 319	0,47%
	Centennier	1,96%	859 082	32,25%
	Farallon Capital	1,78%	782 209	60,22%
	Kensington Global	3,76%	1 652 299	99,90%
	Levco Alternative	3,67%	1 610 913	34,41%
	Levco Debt	1,15%	503 560	1,71%
	Marathon Overseas	1,28%	562 223	15,83%
	Milton Leveraged	1,31%	575 306	2,52%
	Pharo Arbitrage	2,92%	1 283 554	15,06%
	Ram Capital	2,04%	893 927	0,19%
	Shepherd Inv.	2,03%	891 140	3,80%
	Thema (USD)	3,46%	1 520 240	27,88%
	<b>Subtotal</b>	<b>29,33%</b>	<b>12 883 723</b>	
Cash	Cash and equivalents	25,40%	11 156 293	
	<b>Subtotal</b>	<b>25,40%</b>	<b>11 156 293</b>	
<b>Total</b>		<b>100,00%</b>	<b>43 920 374</b>	

\*Since inception in ACE Balanced Fund

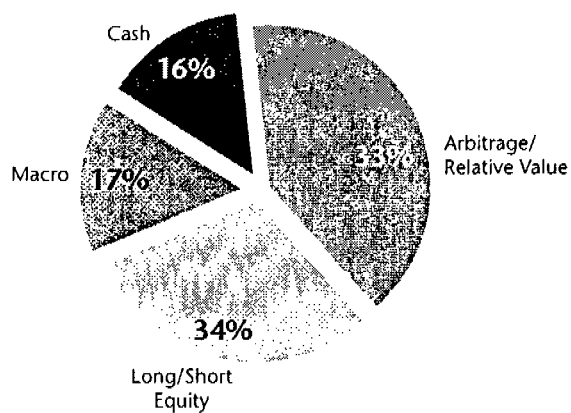
## Performance by Style

Indicative Performance by Style for 2002 (year-end position)

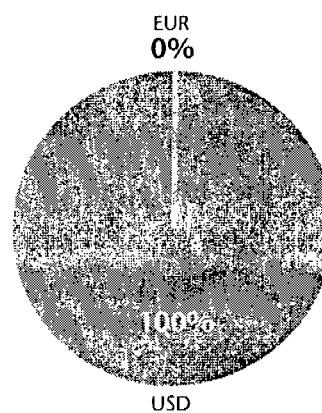


# Asset Allocation of ACE Balanced Fund (USD) as of 31.12.02

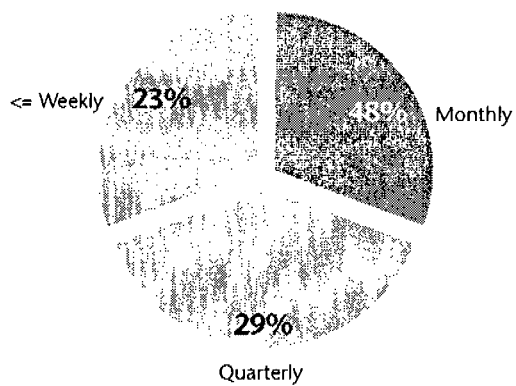
## By Style



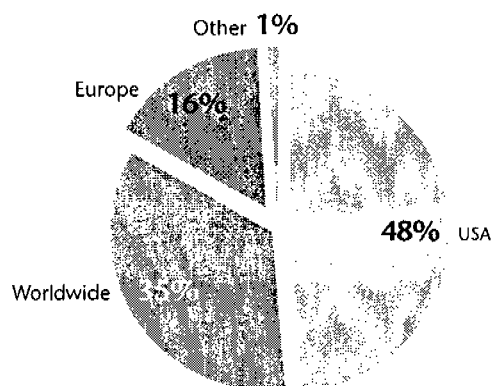
## By Currency



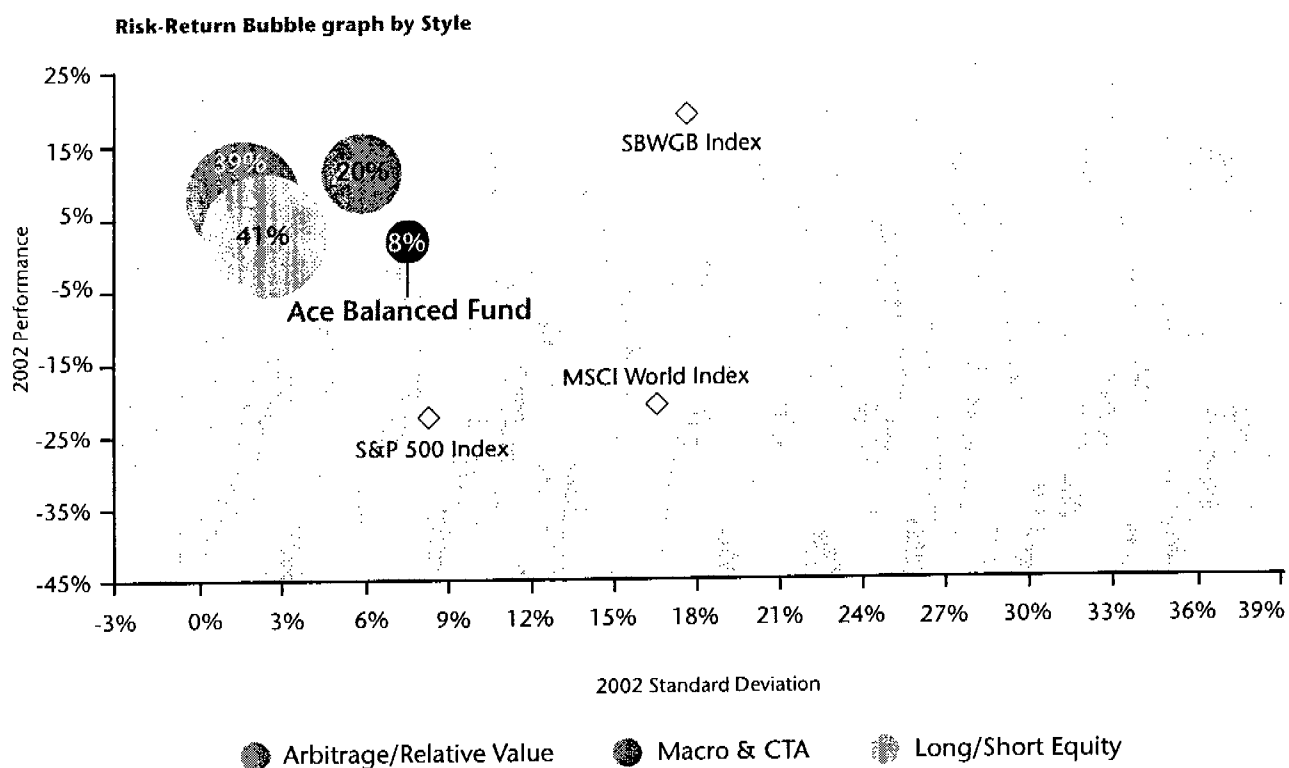
## By Liquidity



## By Region



## Risk-Return Analysis 2002



## Correlation Analysis as of 31.12.02

Correlation matrix between Styles and Indices

	ACE Balanced USD	Macro	Long/Short Equity	Arbitrage/Relative Value	CTA	MSCI World Index	S&P 500 Index	SBWGB Index
ACE Balanced USD	1.00							
Macro	0.47	1.00						
Long / Short Equity	0.92	0.21	1.00					
Arbitrage/Relative Value	0.44	0.06	0.34	1.00				
CTA	0.13	0.30	-0.04	-0.22	1.00			
MSCI World Index	0.44	-0.25	0.53	0.31	-0.12	1.00		
S&P 500 Index	0.35	-0.32	0.47	0.29	-0.15	0.97	1.00	
SBWGB Index	-0.15	-0.02	-0.05	-0.36	0.11	-0.07	-0.13	1.00

**Report of the  
Independent Auditor**

# **Report of the Independent Auditor**

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# Report of the Independent Auditor

## To the Shareholders of Alternative Capital Enhancement SICAV

We have audited the financial statements which consist of the statement of assets and liabilities, the statement of operations and changes in net assets, the portfolio of investments and the notes to the financial statements of Alternative Capital Enhancement SICAV (the "SICAV") and of each of its subfunds for the year ended December 31, 2002. These financial statements are the responsibility of the Board of Directors of the SICAV. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors of the SICAV, in preparing the financial statements, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached financial statements give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Alternative Capital Enhancement SICAV and of each of its subfunds at December 31, 2002 and of the results of their operations and changes in their net assets for the year then ended.

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. We have no observation to make concerning such information in the context of the financial statements taken as a whole.

Luxembourg, April 25, 2003

**PRICEWATERHOUSECOOPERS** 

PricewaterhouseCoopers S.A.R.L.

Réviseur d'entreprises

Represented by

Didier Prime



# Financial Statements 2002

## Statement of assets and liabilities as at December 31, 2002

Alternative Capital Enhancement SICAV

	Combined US Dollar	ACE Structured Balanced Fund (USD) US Dollar	ACE Structured Balanced Fund (EUR) Euro
<b>Assets</b>			
Investment in securities, at cost	135'818'369	70'002'293	11'317'562
Unrealized appreciation	22'636'737	12'307'884	1'989'862
<b>Investment in securities, at fair value</b>	<b>158'455'106</b>	<b>82'310'177</b>	<b>13'307'424</b>
Unrealised gain on forward foreign exchange contracts	1'243'430	—	1'185'800
Cash at bank	21'403'983	11'156'324	1'707'911
Amounts receivable on investments sold	10'424'376	7'468'822	1'207'515
Investments paid in advance	11'701'800	427'676	69'144
Other receivables	2'528'300	113'791	18'397
<b>Total assets</b>	<b>205'756'995</b>	<b>101'476'790</b>	<b>17'496'191</b>
Advance subscriptions	1'503'000	—	—
Bank overdraft	4'790'680	—	10'521
Payable for securities purchased	800'523	—	—
Accrued performance fees	590'090	457'345	31'073
Management fees payable	717'001	388'063	65'380
Accrued expenses and other liabilities	2'828'808	107'525	6'224
<b>Total liabilities</b>	<b>11'230'102</b>	<b>952'933</b>	<b>113'198</b>
<b>Net assets</b>	<b>194'526'893</b>	<b>100'523'857</b>	<b>17'382'993</b>

ACE Balanced Fund (USD) US Dollar	ACE Long/Short Fund (USD) US Dollar	ACE Multi Arbitrage Fund (USD) US Dollar	ACE Macro Fund (USD) US Dollar	Notes	
					<b>Assets</b>
28'549'590	8'135'901	13'472'241	3'790'748		Investment in securities, at cost
4'214'493	838'562	2'523'790	665'439		Unrealized appreciation
32'764'083	8'974'463	15'996'031	4'456'187	2 (c)	Investment in securities, at fair value
—	—	—	—	8	Unrealised gain on forward foreign exchange contracts
4'457'419	1'369'216	2'190'175	439'934		Cash at bank
753'647	—	935'707	—		Amounts receivable on investments sold
5'561'995	852'694	4'043'755	743'176	2 (d)	Investments paid in advance
1'263'330	829'112	—	302'776		Other receivables
44'800'474	12'025'485	23'165'668	5'942'073		<b>Total assets</b>
1'427'000	—	76'000	—	2 (g)	Advance subscriptions
2'391'296	710'720	1'677'632	—		Bank overdraft
357'126	—	443'397	—		Payable for securities purchased
79'316	1'172	8'458	11'216		Accrued performance fees
214'827	14'234	23'750	7'570	3	Management fees payable
239'073	144'356	2'330'116	1'211		Accrued expenses and other liabilities
4'708'638	870'482	4'559'353	19'997		<b>Total liabilities</b>
40'091'836	11'155'003	18'606'315	5'922'076		<b>Net assets</b>

See notes to Financial statements

# Statement of operations and changes in net assets for the year/period ended December 31, 2002

Alternative Capital Enhancement SICAV

	Combined US Dollar	ACE Structured Balanced Fund (USD) US Dollar*	ACE Structured Balanced Fund (EUR) Euro*
<b>Investment income</b>			
Interest	247'256	187'679	11'704
Other income	254'119	117'898	10'749
	<b>501'375</b>	<b>305'577</b>	<b>22'453</b>
<b>Expenses</b>			
Investment management fee	3'197'652	2'152'834	86'481
Administration fees	137'439	97'569	6'918
Custodian fees	232'805	150'232	2'883
Organizational expense	80'360	49'048	6'432
Audit and legal fees	61'375	41'139	3'657
Taxation	13'694	9'814	866
Accounting and transfer agency fees	31'541	4'468	2'397
Interest expense	45'004	31'787	654
Performance fees	590'089	375'381	31'073
Directors' fees and expenses	63'114	44'996	465
Miscellaneous	56'011	204	2'932
<b>Total expenses</b>	<b>4'509'084</b>	<b>2'957'472</b>	<b>144'758</b>
<b>Net investment loss</b>	<b>(4'007'709)</b>	<b>(2'651'895)</b>	<b>(122'305)</b>
<b>Realized and unrealized gain/(loss) On investments and foreign currency</b>			
Net realized gain / (loss) on investments and foreign currency transactions	17'371'754	16'649'673	(2'670'364)
Net change in unrealized gain on open forward foreign exchange contracts	1'243'430	—	1'185'800
Net change in unrealized appreciation / (depreciation) of investments	(7'361'939)	(9'391'617)	1'989'862
<b>Net realized and unrealized gain / (loss) on investments and forward foreign exchange contracts</b>	<b>11'253'245</b>	<b>7'258'056</b>	<b>505'298</b>
<b>Net increase/(decrease) in net assets from operations</b>	<b>7'245'536</b>	<b>4'606'161</b>	<b>382'993</b>
<b>Capital transactions</b>			
Net increase / (decrease) from capital transactions	(18'186'978)	(52'707'543)	17'000'000
<b>Total increase/(decrease) in net assets in the year/period</b>	<b>(10'941'442)</b>	<b>(48'101'382)</b>	<b>17'382'993</b>
<b>Net assets</b>			
Beginning of year/period	205'468'335	148'625'239	—
<b>End of year/period</b>	<b>194'526'893</b>	<b>100'523'857</b>	<b>17'382'993</b>

ACE Balanced Fund (USD) US Dollar*	ACE Long/Short Fund (USD) US Dollar**	ACE Multi Arbitrage Fund (USD) US Dollar**	ACE Macro Fund (USD) US Dollar**	Notes
				<b>Investment income</b>
47'304	—	—	—	Interest
123'656	1'294	—	—	Other income
<b>170'960</b>	<b>1'294</b>	<b>—</b>	<b>—</b>	
				<b>Expenses</b>
908'580	14'234	23'750	7'570	3 Investment management fee
26'486	1'873	2'902	1'355	4 Administration fees
70'858	2'485	5'413	794	4 Custodian fees
24'567	—	—	—	Organizational expense
16'296	—	105	—	Audit and legal fees
2'669	95	158	50	5 Taxation
24'560	—	—	—	Accounting and transfer agency fees
12'264	105	100	62	Interest expense
161'279	1'172	8'458	11'216	3 Performance fees
17'630	—	—	—	6 Directors' fees and expenses
50'910	569	950	304	Miscellaneous
<b>1'316'099</b>	<b>20'533</b>	<b>41'836</b>	<b>21'351</b>	<b>Total expenses</b>
<b>(1'145'139)</b>	<b>(19'239)</b>	<b>(41'836)</b>	<b>(21'351)</b>	<b>Net investment loss</b>
				<b>Realized and unrealized gain/(loss) On investments and foreign currency</b>
7'210'809	(804'964)	(2'377'805)	(505'815)	Net realized gain / (loss) on investments and foreign currency transactions
—	—	—	—	Net change in unrealized gain on open forward foreign exchange contracts
(4'084'682)	838'562	2'523'790	665'439	Net change in unrealized appreciation / (depreciation) of investments
<b>3'126'127</b>	<b>33'598</b>	<b>145'983</b>	<b>159'624</b>	<b>Net realized and unrealized gain / (loss) on invest- ments and forward foreign exchange contracts</b>
<b>1'980'988</b>	<b>14'359</b>	<b>104'149</b>	<b>138'273</b>	<b>Net increase/(decrease) in net assets from operations</b>
<b>(18'732'248)</b>	<b>11'140'644</b>	<b>18'502'166</b>	<b>5'783'803</b>	<b>Capital transactions</b> Net increase / (decrease) from capital transactions
<b>(16'751'260)</b>	<b>11'155'003</b>	<b>18'606'315</b>	<b>5'922'076</b>	<b>Total increase/(decrease) in net assets in the year/period</b>
<b>56'843'096</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>Net assets</b> Beginning of year/period
<b>40'091'836</b>	<b>11'155'003</b>	<b>18'606'315</b>	<b>5'922'076</b>	<b>End of year/period</b>

\* Launched on September 2, 2002  
\*\* Launched on December 1, 2002

See notes to Financial statements

# Statistical information as at December 31, 2002

Alternative Capital Enhancement SICAV

	ACE Structured Balanced Fund (USD) US Dollar*	ACE Structured Balanced Fund (EUR) Euro*	ACE Balanced Fund (USD) US Dollar*
<b>Net Assets</b>	<b>100'523'857</b>	<b>17'382'993</b>	<b>40'091'836</b>
Net asset value per share – Class A	1'461.40	—	—
Net asset value per share – Class B	1'461.59	1'022.53	1'460.89
Net asset value per share – Class C	1'461.59	—	—

Formerly ACE Ltd.,  
Aggressive Capital Enhancement

	December 31, 2001	December 31, 2000
Net asset value per share – Class A	1'411.61	1'351.89
Net asset value per share – Class B	1'411.61	1'351.89
Net asset value per share – Class C	1'411.61	—

## Statement of changes in shares for the year/ period ended December 31, 2002

Alternative Capital Enhancement SICAV

	ACE Structured Balanced Fund (USD) US Dollar*	ACE Structured Balanced Fund (EUR) Euro*	ACE Balanced Fund (USD) US Dollar*
<b>Amount</b>			
<b>Class A</b>			
Beginning of year/period	34'603.990	—	—
Shares issued	16'337.230	—	—
Shares redeemed	(42'511.000)	—	—
End of year/period	8'430.220	—	—
<b>Class B</b>			
Beginning of year/period	66'793.860	—	40'268.134
Shares issued	—	17'000.000	6'670.050
Shares redeemed	(11'729.775)	—	(19'494.752)
End of year/period	55'064.085	17'000.000	27'443.434
<b>Class C</b>			
Beginning of year/period	3'889.540	—	—
Shares issued	1'394.160	—	—
Shares redeemed	—	—	—
End of year/period	5'283.700	—	—

ACE Long/Short Fund (USD) US Dollar**	ACE Multi Arbitrage Fund (USD) US Dollar**	ACE Macro Fund (USD) US Dollar**	
11'155'003	18'606'315	5'922'076	Net Assets
—	—	—	Net asset value per share – Class A
1'001.29	1'005.63	1'023.91	Net asset value per share – Class B
—	—	—	Net asset value per share – Class C

\* Launched on September 2, 2002  
 \*\* Launched on December 1, 2002

See notes to Financial statements

ACE Long/Short Fund (USD) US Dollar**	ACE Multi Arbitrage Fund (USD) US Dollar**	ACE Macro Fund (USD) US Dollar**	
			Amount
			Class A
			Beginning of year/period
			Shares issued
			Shares redeemed
			End of year/period
			Class B
			Beginning of year/period
11'140.644	18'502.166	5'783.803	Shares issued
			Shares redeemed
11'140.644	18'502.166	5'783.803	End of year/period
			Class C
			Beginning of year/period
			Shares issued
			Shares redeemed
			End of year/period

\* Launched on September 2, 2002  
 \*\* Launched on December 1, 2002

See notes to Financial statements



Portfolio of Investments as at December 31, 2002  
ACE Structured Balanced Fund (USD)

Shares in Investee Funds	Investment Funds – Unquoted	USD Value	% of Net Assets
1 876	Arbitex Investors 'B'	2 886 883	2,87
1 453	Capital Fund	2 167 502	2,16
17 119	Centennier Fund 'A'	3 546 275	3,53
51 283	Crescendo European Fund (USD)	6 079 109	6,05
1 588	DMG Legacy International 'A' Series 3	1 987 356	1,98
1 044	DMG Legacy International 'A' Series 4	1 309 850	1,30
43 305	Egerton European Dollar Fund	2 308 615	2,30
505 216	Farallon Capital Offshore Investors	3 228 950	3,21
13 655	Graham Global Investment Fund II	2 085 086	2,07
1 812	Hunter Global Investors Offshore Fund	1 920 102	1,91
2 487	Citadel Kensington Global Strategies Fund	4 279 410	4,26
22 971	Landsdowne UK Equity Fund	2 515 983	2,50
36 597	Levco Alternative Fund 'B'	5 198 203	5,17
1 997	Levco Debt Opportunity Fund	2 078 599	2,07
61 560	LG Asian Plus Series 22*	1 290 288	1,28
13 903	Marathon Overseas 'B'	2 320 849	2,31
15 592	Meditor European Hedge Fund 'B'	3 491 333	3,47
548	Moore Global Fixed Income Fund	2 617 441	2,60
2 929	Redsky Horizon Fund 'B' Series 4	2 893 648	2,88
115	Rotella Polaris Fund '2002 AUG'	1 288 203	1,28
470	Roy G Niederhoffer No 1 Fund	1 099 956	1,09
12 272	Rubicon Global Fund Series 1	2 767 879	2,75
1 474	Shepherd Investments International 'A'	3 678 671	3,66
17 970	Standard Pacific Capital Offshore Fund 'B'	4 984 651	4,96
27 762	Thema Hedged US Equity Fund	6 275 539	6,24
29 196	Theorema Europe 'B' Series 4	2 866 730	2,85
60	Tudor BVI Global Fund 'A'	2 963 742	2,95
2 150	Welch Entrepreneurial Fund 'A'	2 179 324	2,17
<b>Total investments</b>		<b>82 310 177</b>	<b>81,87</b>
<b>Other Assets and Liabilities</b>		<b>18 213 680</b>	<b>18,13</b>
<b>Total Net Assets</b>		<b>100 523 857</b>	<b>100,00</b>

\*Listed securities

No schedule of portfolio changes has been included in this report.  
Such information is available upon request and free of charge from Bank of Bermuda (Luxembourg) S.A., the Fund's administrative agent.

See notes to Financial statements

Portfolio of Investments as at December 31, 2002  
ACE Structured Balanced Fund (EUR)

Shares in Investee Funds	Investment Funds – Unquoted	EUR Value	% of Net Assets
318	Arbitex Investors 'B'	466 734	2,69
246	Capital Fund	350 429	2,02
2 902	Centennier Fund 'A'	573 341	3,30
8 694	Crescendo European Fund (USD)	982 835	5,65
269	DMG Legacy International 'A' Series 3	321 304	1,85
177	DMG Legacy International 'A' Series 4	211 769	1,22
7 342	Egerton European Dollar Fund	373 243	2,15
85 650	Farallon Capital Offshore Investors	522 038	3,00
2 315	Graham Global Investment Fund II	337 104	1,94
307	Hunter Global Investors Offshore Fund	310 431	1,79
422	Citadel Kensington Global Strategies Fund	691 870	3,98
3 894	Landsdowne UK Equity Fund	406 769	2,34
6 204	Levco Alternative Fund 'B'	840 415	4,83
338	Levco Debt Opportunity Fund	336 056	1,93
10 436	LG Asian Plus Series 22 *	208 606	1,20
2 357	Marathon Overseas 'B'	375 221	2,16
2 643	Meditor European Hedge Fund 'B'	564 458	3,25
93	Moore Global Fixed Income Fund	423 173	2,43
496	Redsky Horizon Fund 'B' Series 4	467 828	2,69
20	Rotella Polaris Fund '2002 AUG'	208 269	1,20
80	Roy G Niederhoffer No 1 Fund	177 834	1,02
2 081	Rubicon Global Fund Series 1	447 494	2,57
250	Shepherd Investments International 'A'	594 746	3,42
3 047	Standard Pacific Capital Offshore Fund 'B'	805 889	4,64
4 706	Thema Hedged US Equity Fund	1 014 592	5,84
4 950	Theorema Europe 'B' Series 4	463 476	2,67
10	Tudor BVI Global Fund 'A'	479 160	2,76
365	Welch Entrepreneurial Fund 'A'	352 340	2,03
<b>Total Investments</b>		<b>13 307 424</b>	<b>76,57</b>
<b>Other Assets and Liabilities</b>		<b>4 075 569</b>	<b>23,43</b>
<b>Total Net Assets</b>		<b>17 382 993</b>	<b>100,00</b>

\*Listed securities

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Such information is available upon request and free of charge from Bank of Bermuda (Luxembourg) S.A., the Fund's administrative agent.

See notes to Financial statements

Portfolio of Investments as at December 31, 2002  
ACE Balanced Fund (USD)

Shares in Investee Funds	Investment Funds – Unquoted	USD Value	% of Net Assets
400	Framework Asset Investors 'B' Series 4	407 995	1,02
19 008	Crescendo European Fund (USD)	2 253 237	5,62
512	DMG Legacy International 'A' Series 3	641 093	1,60
337	DMG Legacy International 'A' Series 4	422 531	1,05
19 097	Egerton European Dollar Fund	1 018 086	2,54
585	Hunter Global Investors Offshore Fund	619 395	1,54
7 410	Landsdowne UK Equity Fund	811 617	2,02
19 858	LG Asian Plus Series 22 *	416 227	1,04
2 195	Maverick Fund	1 474 001	3,68
5 030	Meditor European Hedge Fund 'B'	1 126 249	2,81
936	Redsky Horizon Fund 'B' Series 4	924 647	2,31
5 797	Standard Pacific Capital Offshore Fund 'B'	1 607 973	4,01
9 418	Theorama Europe 'B' Series 4	924 763	2,31
882	Welch Entrepreneurial Fund 'A'	893 552	2,23
700	Arbitex Investors 'B'	1 076 950	2,69
6 114	Battery Park High Yield	672 319	1,68
4 147	Centennier Fund 'A'	859 082	2,14
122 388	Farallon Capital Offshore Investors	782 208	1,95
960	Citadel Kensington Global Strategies Fund	1 652 296	4,12
11 341	Levco Alternative Fund 'B'	1 610 912	4,02
484	Levco Debt Opportunity Fund	503 541	1,26
3 368	Marathon Overseas 'B'	562 222	1,40
5 192	Milton Leveraged Arbitrage Fund 'B'	575 306	1,43
890	Pharo Arbitrage Fund Series 1	1 283 553	3,20
357	Shepherd Investments International 'A'	891 144	2,22
487	Ram Capital Investments 'B' Series 12	893 926	2,23
6 725	Thema Hedged US Equity Fund	1 520 238	3,79
634	Capital Fund	945 308	2,36
1 233	Framework Asset Investors 'B' Series 4	1 257 781	3,14
4 864	Graham Global Investment Fund II	742 664	1,85
183	Moore Global Fixed Income Fund	871 386	2,17
38	Rotella Polaris Fund '2002 AUG'	428 877	1,07
157	Roy G Niederhoffer No 1 Fund	366 191	0,91
3 362	Rubicon Global Fund Series 1	758 381	1,89
20	Tudor BVI Global Fund 'A'	968 432	2,42
<b>Total investments</b>		<b>32 764 083</b>	<b>81,72</b>
<b>Other assets and liabilities</b>		<b>7 327 753</b>	<b>18,28</b>
<b>Total Net Assets</b>		<b>40 091 836</b>	<b>100,00</b>

\*Listed securities

No schedule of portfolio changes has been included in this report.  
Such information is available upon request and free of charge from Bank of Bermuda (Luxembourg) S.A., the Fund's administrative agent.

See notes to Financial statements

Portfolio of Investments as at December 31, 2002  
ACE Long Short Fund (USD)

Shares in Investee Funds	Investment Funds – Unquoted	USD Value	% of Net Assets
12 989	Crescendo European Fund (USD)	1 539 711	13,80
350	DMG Legacy International 'A' Series 3	438 080	3,93
230	DMG Legacy International 'A' Series 4	288 730	2,59
13 050	Egerton European Dollar Fund	695 691	6,24
399	Hunter Global Investors Offshore Fund	423 253	3,79
5 063	Landsdowne UK Equity Fund	554 604	4,97
13 570	LG Asian Plus Series 22 *	284 422	2,55
1 500	Maverick Fund	1 007 233	9,03
3 437	Meditor European Hedge Fund 'B'	769 603	6,90
639	Redsky Horizon Fund 'B' Series 4	631 841	5,66
3 961	Standard Pacific Capital Offshore Fund 'B'	1 098 780	9,85
6 436	Theorema Europe 'B' Series 4	631 921	5,66
603	Welch Entrepreneurial Fund 'A'	610 594	5,47
<b>Total investments</b>		<b>8 974 463</b>	<b>80,44</b>
<b>Other assets and liabilities</b>		<b>2 180 540</b>	<b>19,56</b>
<b>Total Net Assets</b>		<b>11 155 003</b>	<b>100,00</b>

\*Listed securities

No schedule of portfolio changes has been included in this report.  
Such information is available upon request and free of charge from Bank of Bermuda (Luxembourg) S.A., the Fund's administrative agent.

See notes to Financial statements

Portfolio of Investments as at December 31, 2002  
ACE Multi Arbitrage Fund (USD)

Shares in Investee Funds	Investment Funds – Unquoted	USD Value	% of Net Assets
869	Arbitex Investors 'B'	1 337 111	7,19
7 591	Battery Park High Yield	834 731	4,49
5 149	Centennier Fund 'A'	1 066 611	5,73
151 953	Farallon Capital Offshore Investors	971 168	5,22
1 193	Citadel Kensington Global Strategies Fund	2 051 444	11,03
14 081	Levco Alternative Fund 'B'	2 000 062	10,75
600	Levco Debt Opportunity Fund	625 181	3,36
4 181	Marathon Overseas 'B'	698 038	3,75
6 446	Milton Leveraged Arbitrage Fund 'B'	714 283	3,84
1 106	Pharo Arbitrage Fund Series 1	1 593 623	8,56
443	Shepherd Investments International 'A'	1 106 420	5,95
604	Ram Capital Investments 'B' Series 12	1 109 874	5,97
8 350	Thema Hedged US Equity Fund	1 887 485	10,14
<b>Total investments</b>		<b>15 996 031</b>	<b>85,98</b>
<b>Other assets and liabilities</b>		<b>2 610 284</b>	<b>14,02</b>
<b>Total Net Assets</b>		<b>18 606 315</b>	<b>100,00</b>

No schedule of portfolio changes has been included in this report.  
Such information is available upon request and free of charge from Bank of Bermuda (Luxembourg) S.A., the Fund's administrative agent.

See notes to Financial statements

## Portfolio of Investments as at December 31, 2002

ACE Macro Fund (USD)

Shares in Investee Funds	Investment Funds – Unquoted	USD Value	% of Net Assets
445	Capital Fund	664 530	11,22
867	Framework Asset Investors 'B' Series 4	884 192	14,93
3 419	Graham Global Investment Fund II	522 076	8,82
128	Moore Global Fixed Income Fund	612 564	10,34
27	Rotella Polaris Fund '2002 AUG'	301 491	5,09
110	Roy G Niederhoffer No 1 Fund	257 424	4,35
2 364	Rubicon Global Fund Series 1	533 124	9,00
14	Tudor BVI Global Fund 'A'	680 786	11,50
<b>Total investments</b>		<b>4 456 187</b>	<b>75,25</b>
<b>Other assets and liabilities</b>		<b>1 465 889</b>	<b>24,75</b>
<b>Total Net Assets</b>		<b>5 922 076</b>	<b>100,00</b>

No schedule of portfolio changes has been included in this report.  
Such information is available upon request and free of charge from Bank of Bermuda (Luxembourg) S.A., the Fund's administrative agent.

See notes to Financial statements

# Notes to the Financial Statements

## 1. General

Alternative Capital Enhancement SICAV (the "Fund") was initially incorporated as an exempted company in the Cayman Islands on April 2, 1998 under the name of ACE Ltd., Aggressive Capital Enhancement.

By special resolution of the voting shareholders dated August 22, 2002, the transfer of the Fund's registered office to Luxembourg was resolved pursuant to the Sections 224 to 228 of the Cayman Islands Companies Law.

As from September 2, 2002, the Fund is registered in Luxembourg as a Société Anonyme governed by the Luxembourg law of August 10, 1915 (as amended) and qualifies as a Société d'Investissement à Capital Variable under part II of the 1988 Law.

The overall objective of the Fund is to deliver consistent capital appreciation in the assets value by placing the assets with investment funds considered by the investment manager, on the basis of its analysis, to be managed by some of the most talented managers in a variety of different investment areas which are non-traditional.

Risk diversification will be achieved by investing the assets in a number of different investment funds, thereby aiming to reduce the risk of the return of the assets being too dependent upon the success or failure of a single investment fund.

The Fund is an open-ended umbrella of sub-funds, each with different investment objectives.

As at December 31, 2002 the following sub-funds were open for subscription and redemption:

Name	Base Currency
ACE Structured Balanced Fund (USD)	US Dollar
ACE Structured Balanced Fund (EUR)	Euro
ACE Balanced Fund (USD)	US Dollar
ACE Long Short Fund (USD)	US Dollar
ACE Multi Arbitrage Fund (USD)	US Dollar
ACE Macro Fund (USD)	US Dollar

## 2. Summary of significant accounting policies

### a) Presentation of Financial Statements

The financial statements are prepared in accordance with Luxembourg regulations relating to undertaking for collective investments and are presented in the respective base currencies of the sub-funds. The Combined Statement of Assets and Liabilities and the Combined Statement of Operations and Changes in Net Assets are presented in US dollars, based on the exchange rate ruling at the year end.

### b) Foreign Currency Translation

Assets and liabilities in currencies other than the sub-fund's base currency have been translated into that currency at exchange rates ruling at the year end. Transactions occurred during the year in currencies other than the base currency are translated at rates of exchange ruling at the transaction dates.

### c) Investments

The value of securities which are quoted, traded or dealt in on any stock exchange shall be based on the latest available price or, if appropriate, on the average price on the stock exchanges which are the principal market of such securities, and each security traded on any other regulated market shall be valued in a manner as similar as possible to that provided for quoted securities.

Non-quoted securities or securities not traded or dealt in on any stock exchange or other regulated market, as well as quoted or non-quoted securities on such other market for which no valuation price is available, or securities for which the quoted prices are, in the opinion of the Board, not representative of the fair market value, the value thereof shall be determined prudently and in good faith by the Board on the basis of foreseeable sales prices.

Securities issued by any open-ended investment funds shall be valued at their last available price or net asset value, as reported or provided by such funds or their agents.

Liquid assets and money market instruments are valued at nominal value plus any accrued interest or on an amortised cost basis.

All other securities and assets are valued at fair market value as determined in good faith pursuant to standard procedures established by the Board.

Realised gains and losses on sales of investments in securities are determined on an average cost basis.

### d) Investments Paid in Advance

Advance payments for purchases of investment funds that are not effective until after the year end are presented as investments paid in advance.

### e) Income and Expenses

Dividends, interest and other distributions of an income nature received from the assets in an asset pool are allocated to the participating sub-funds in proportion to their respective participations in the asset pool at the time of receipt. Expenses incurred by the asset pools are allocated to the sub-funds to which they are attributable or among all sub-funds and classes in proportion to their respective participants.

### f) Dividend Policy

The general meeting of shareholders may decide, upon proposal by the Board of Directors and after the closing of the annual accounts on the dividends in cash or bonuses of their respective sub-funds and/or share class for the year ended.

### g) Advance Subscriptions

Subscriptions received that are not effective until after the year end are presented as advance subscriptions.

**h) Forward Foreign Exchange Contracts**

Outstanding forward currency contracts are valued at the closing date by reference to the forward rate of exchange applicable to the outstanding life of the contract. The unrealised gain or loss is shown in the Statement of Assets and Liabilities.

**i) Transfer and Formation Expenses**

Expenses relating to the transfer are being amortised over a period of five years and the unamortised portion of such expenses are apportioned among all sub-funds. Any expenses relating to the formation of a new sub-fund will be apportioned among all sub-funds either by way of direct writing off or by way of amortisation over a period not exceeding five years from their creation.

**3. Management and performance fees**

The Fund pays a monthly management fee to the investment manager. The management fees are payable in arrears on the valuation date of each calendar month. The management fee for each sub-fund and/or share class is 1.5% per annum of the relevant Net Assets.

In addition to its investment management fees, the investment manager may be entitled to receive a performance-based incentive fee, accrued monthly and to be paid quarterly by the sub-fund, equal to 7.5% of the increase of the sub-fund's NAV per share and payable in USD.

**4. Administration and custodian fees**

Bank of Bermuda (Luxembourg) S.A., in its capacities as custodian and fund administrator, is entitled to receive from the Fund fees based on the average net asset value of each sub-fund.

Bank of Bermuda (Luxembourg) S.A. as administrator to the company has prepared the financial statements for the financial year 2002. Bank of Bermuda (Luxembourg) S.A. however was only appointed as administrator on September 2, 2002 and have relied on the figures of the previous administrator prior to that date. The responsibility for proper administration remain with the administrators for their respective contracted periods during the year.

**5. Taxation**

The Fund is liable in Luxembourg to a tax (taxe d'abonnement) of 0.05% per annum of its net assets, such tax being payable quarterly and calculated on the net asset value of the Fund at the end of the relevant calendar quarter. This tax will be levied at the rate of 0.01% in respect of classes of shares of sub-funds, which are only sold to and held by institutional investors.

Under the current law and practice, the Fund is not liable to Luxembourg taxes on income or capital gains, nor are dividends paid by the Fund liable to any Luxembourg withholding tax.

Dividends, interest and capital gains on securities held by the Fund may be subject to non-recoverable withholding or capital gains taxes in the country of origin.

**6. Director's fees and expenses**

Each of the directors of the Fund, other than those associated with Syz & Co Group or any of its subsidiaries are entitled to a remuneration of up to a maximum of USD 5 000 per annum.

**7. Pooling of assets**

For the purpose of effective management and proper internal administrative, custodial and accounting treatment, the Fund invests and manages the assets of two or more sub-funds with the same core strategy on a pooled basis.

Such pools should not be considered as separate legal entities and any notional accounting units of a pool should therefore not be considered as shares.

**8. Forward foreign exchange contracts**

As at December 31, 2002, ACE Structured Balanced Fund (EUR) had outstanding commitments on forward foreign exchange contracts as summarised below:

ACE Structured Balanced Fund (EUR) Euro

Maturity Date	Currency Bought	Bought Amount	Currency Sold	Sold Amount	Unrealised Gain
31 January 2003	EUR	17,079,376	USD	16,650,000	1,180,168
31 January 2003	EUR	148,869	USD	150,000	5,632
					<u>1,185,800</u>

**9. Statement of portfolio changes**

Statement of portfolio changes are available to shareholders, free of charge, upon request from the Fund's registered office.



# **Management and administration**

## **Alternative Capital Enhancement**

### **Directors**

Mr Eric Max Charles Syz (Chairman)  
Managing Director  
Banque Syz & Co. S.A.  
Geneva  
Switzerland

Mr Alfredo Piacentini  
Partner  
Banque Syz & Co. S.A.  
Geneva  
Switzerland

Mr Francesco Maria Rossi  
Partner  
Benedetti, Rossi & Partners  
London  
United Kingdom

Mr Rolf Sachs  
London  
United Kingdom

Mr Andre Stern  
Oxford  
United Kingdom

Mr Mark Lloyd-Price  
Director  
Syz & Co Asset Management Limited  
London  
United Kingdom

Mr Tony Morongiello  
Chief Executive Officer  
3A S.A.  
Geneva  
Switzerland

### **Registered Office**

Bank of Bermuda (Luxembourg) S.A.  
13, rue Goethe  
L – 1637 Luxembourg  
Grand-Duchy of Luxembourg

### **Custodian & Administrator**

Bank of Bermuda (Luxembourg) S.A.  
13, rue Goethe  
L – 1637 Luxembourg  
Grand-Duchy of Luxembourg

### **Auditor**

PricewaterhouseCoopers S.A.R.L.  
400, route d'Esch  
L-1471 Luxembourg  
Grand-Duchy of Luxembourg

### **Investment Manager**

3A S.A.  
c/o Banque Syz & Co.  
30, rue du Rhône  
CH-1204 Geneva  
Switzerland

### **Legal advisor in Luxembourg**

Elvinger, Hoss & Prussen  
2, Place Winston Churchill  
L – 1340 Luxembourg  
Grand-Duchy of Luxembourg

## Appendix Fund Profiles

# Appendix

## Fund Profiles

Page	Fund
36	Arbitex Investors
37	Battery Park High
38	Capital Fund
39	Centennier
40	Crescendo European
41	DMG Legacy
42	Egerton European
43	Farallon Capital
44	Framework Asset Investors
45	Graham Global
46	Hunter Global Investors
47	Kensington Global
48	Lansdowne European
49	Levco Alternative
50	Levco Debt Opportunity
51	LG Asian Plus Limited
52	Marathon Overseas
53	Maverick
54	Meditor European
55	Milton Leveraged
56	Moore Global
57	Pharo Arbitrage
58	Roy G. Niederhoffer
59	Ram Capital Investment
60	RedSky Horizon
61	Rotella Polaris
62	Rubicon Global
63	Shepherd Investments
64	Standard Pacific
65	Thema Hedged
66	Theorema Europe
67	Tudor BVI
68	Welch Entrepreneurial

# Arbitex Investors Fund Ltd.

STYLE: ARBITRAGE, Convertible Arbitrage

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

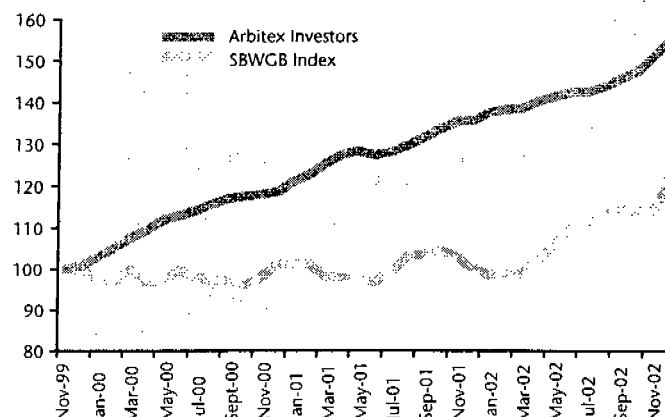
## Price

Data as of 12/31/2002  
NAV per Share 154.90 USD

## Performance

	Fund	Benchmark
Month-to-date	2.44%	5.03%
Quarter-to-date	6.42%	4.73%
Year-to-date	14.18%	19.49%
Last 12-months	14.18%	19.49%
Last year (2001)	14.35%	-0.99%
Cumulative return since inception	54.90%	19.90%

## Performance (Life to date)



## Manager Biography

Kenneth Tananbaum & Jon Bren  
Kenneth Tananbaum joined an affiliate of the Manager in 1997 and became an officer of the Manager and Arbitex Asset Management, L.P. upon their formation. Prior thereto, he served as a portfolio manager and trader for HBK Investments from 1994 to 1997. From 1990 to 1994, Mr. Tananbaum was employed by O'Connor & Associate, which is now a part of Warburg Dillon Reed, as equity options market maker and specialist on the floor of the American Stock Exchange. Mr. Tananbaum holds a Bachelor of Arts degree in economics and political science from Yale University.

## Management Philosophy

The fund's objective is to achieve superior returns by making investments that offer both current income and short term and long term capital appreciation. To achieve the goal the manager will employ primarily convertible arbitrage and equity arbitrage strategies. In selecting securities for the fund, the manager will analyze the default/credit risk on the convertible securities using traditional credit analysis. The convertible arbitrage portfolio is split generally into two categories: US convertibles and non-US convertibles. The US convertible portion is typically focused on US corporate securities with an average credit rating of BB+. The non-US portion is employed to diversify the portfolio into market sectors that are uncorrelated to the US convertible market. The focus will be primarily on high credit issuers with sufficient liquidity. The manager will also allocate a portion of the portfolio to equity arbitrage strategies.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	15.25%	6.06%
Annualized Volatility	2.67%	7.38%
Annualized Gain Volatility	2.44%	5.19%
Annualized Loss Volatility	N/A	3.52%
Loss Contribution to Volatility	17.88%	43.13%
Maximum Drawdown	-0.76%	-5.93%
Length / Time to Recovery	1 / 2	3 / 4
% of Negative Months	2.70%	51.35%
Annualized Sharpe Ratio	3.53	0.17
C.F. Value at Risk (95%)	-0.15%	-2.43%
Correlation Coefficient	1.00	-0.04

## General Information

Investment Manager	Arbitex Capital Ltd.
Domicile	Offshore, Cayman Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	12/01/1999
Management Fee	2.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	500,000 USD
Additional Investment	No Minimum
Lock-up Period	None
Notice Period	45 days
Administrator	Leeds Management Svcs. Ltd.
Prime Broker	Bear Stearns
Custodian	Bear Stearns
Auditors	KPMG
Legal Advisors	Arter & Hadden LLP

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# Battery Park High Yield Opportunity Offshore Fund, Ltd.

STYLE: SPECIAL SITUATIONS, Distressed Securities

SECTOR FOCUS: Industrials

REGION FOCUS: North America, USA

## Price

Data as of	12/31/2002
NAV per Share	120.36 USD

## Performance

	Fund	Benchmark
Month-to-date	0.47%	1.46%
Quarter-to-date	3.59%	6.89%
Year-to-date	10.28%	-1.91%
Last 12-months	10.28%	-1.91%
Last year (2001)	10.83%	-1.59%
Cumulative return since inception	22.23%	-3.48%

## Manager Biography Robert Levine and David Crall

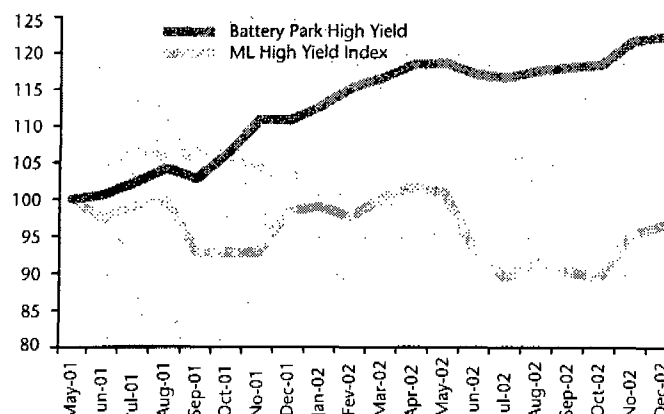
Robert Levine, CFA, is President and CIO of NCRAM. Prior to Nomura, he was with Kidder, Peabody for thirteen years where he founded and served as president of KP High Yield Asset Management. He was also co head of Kidder's high yield bond department and director of high yield research. Wharton graduate, he was a past member of AIMR accounting policy committee, a past director and president of Fixed Income Analysts Society of New York and past chairman of FAF fixed income analysts society bond conference.

David Crall, CFA, is a director and portfolio manager. Joined NCRAM in 1992 and has been the portfolio manager for NCRAM CDOs since 1997. In the past, had analytical responsibility for retailing, financials, building materials, aerospace, restaurants, supermarkets, technology, gaming and energy. BA in English from Yale, CFA and member of AIMR.

## Management Philosophy

The fund's objective is to achieve significant capital appreciation through long and short positions in U.S. high yield bonds. Long-term strategy for the Battery Park High Yield Opportunity Fund is based on pairing a long portfolio that outperforms the high yield market with a short portfolio that enhances performance while cushioning volatility. The Battery Park High Yield Opportunity Fund is typically comprised of over 90% U.S. high yield bonds with a limited exposure to leveraged loans, emerging markets and equities. For long investments, the fund selects companies to be strong competitors in good industries and have a capitalization that allows them to withstand the unexpected. For short positions, selected are the companies to be suffering from declining cash flow trends, over-leveraged, and unlikely to see a positive event like a takeover or IPO. Managing these "fundamental" (as opposed to "market") risks is an ongoing process and the fund actively trades the portfolio to position itself in bonds that offer attractive returns with low risk.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	13.52%	-2.21%
Annualized Volatility	5.10%	12.40%
Annualized Gain Volatility	4.24%	7.32%
Annualized Loss Volatility	2.24%	9.52%
Loss Contribution to Volatility	37.11%	55.85%
Maximum Drawdown	-1.64%	-12.00%
Length / Time to Recovery	2 / 4	3 / N/A
% of Negative Months	21.05%	42.11%
Annualized Sharpe Ratio	1.57	-0.52
C.F. Value at Risk (95%)	-1.27%	-3.05%
Correlation Coefficient	1.00	0.50

## General Information

Investment Manager	Battery Park Mgmnt.
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	ML High Yield Index
Base Currency	USD
Inception date	06/06/2001
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	No Minimum
Lock-up Period	6 months
Notice Period	20 days
Administrator	Citco Fund Svcs. (Cay.) Ltd.
Prime Broker	Bear Stearns Securities Corp.
Custodian	Bear Stearns Securities Corp.
Auditors	Deloitte & Touche
Legal Advisors	Seward & Kissel LLP

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# Capital Fund, Ltd., The

STYLE: GLOBAL MACRO

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

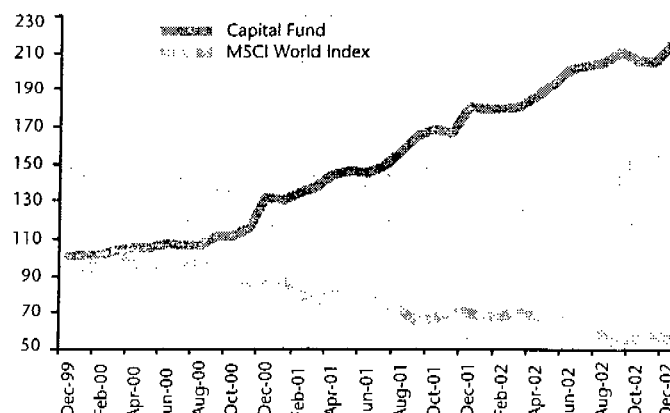
## Price

Data as of	12/31/2002
NAV per Share	2,054.17 USD

## Performance

	Fund	Benchmark
Month-to-date	4.79%	-4.95%
Quarter-to-date	1.88%	7.32%
Year-to-date	18.65%	-21.06%
Last 12-months	18.65%	-21.06%
Last year (2001)	37.76%	-17.83%
Cumulative return since inception	114.24%	-44.24%

## Performance (Life to date)



## Manager Biography

**Kenneth Windheim**  
Kenneth Windheim has 20 years of experience in managing international and global bond funds to both currency hedged and unhedged benchmarks. Mr. Windheim joined Prudential Asset Management in 1981 and helped develop and manage Prudential's in-house global bond fund. He took over the total global fixed income management responsibilities in 1984 and managed all of the institutional global fixed income funds for Global Fixed Income Advisors from 1984 to 1991 as managing director and chief investment officer. In June 1991, Mr. Windheim left Prudential and entered into a partnership with SIM to form Strategic, originally a Delaware limited partnership. He is a graduate of the George Washington University.

## Management Philosophy

The objective of the fund is the long-term appreciation of assets through the pursuit of investment strategies that focus primarily on global macroeconomic trends. Relative value strategies may also be used, primarily in the fixed income markets. The fund's portfolio is expected to include fixed income securities, equities, foreign exchange rate contracts, interest rate and other financial futures and mortgages. In addition, the fund may use a variety of derivatives to implement its different strategies, among them: exchange-traded and over-the-counter options and interest rate and foreign currency swaps.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	28.91%	-17.69%
Annualized Volatility	10.24%	16.95%
Annualized Gain Volatility	9.61%	9.08%
Annualized Loss Volatility	1.82%	10.08%
Loss Contribution to Volatility	27.03%	47.71%
Maximum Drawdown	-2.77%	-48.45%
Length / Time to Recovery	2 / 1	30 / N/A
% of Negative Months	27.78%	61.11%
Annualized Sharpe Ratio	2.08	-1.34
C.F. Value at Risk (95%)	-1.16%	-7.31%
Correlation Coefficient	1.00	-0.19

## General Information

Investment Manager	Strategic Fixed Income, L.L.C.
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	MSCI World Index
Base Currency	USD
Inception date	1/03/2000
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	500,000 USD
Additional Investment	50,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	Hemisphere Fund Mngers. Ltd.
Prime Broker	Bear Stearns Securities Corp.
Custodian	Bear Stearns Securities Corp.
Auditors	Andersen
Legal Advisors	Walkers

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# Centennier Fund, Ltd.

STYLE: ARBITRAGE, Arbitrage General

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

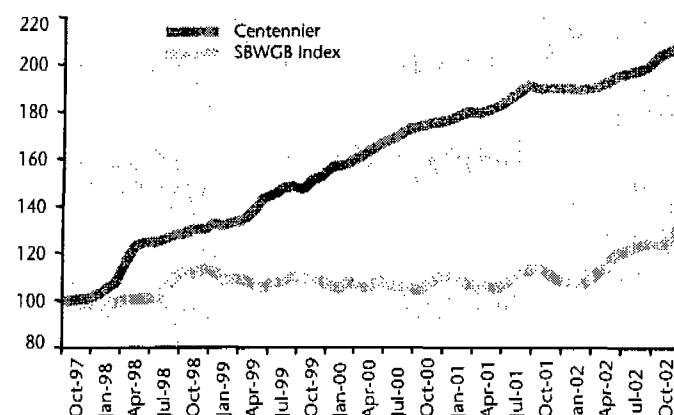
## Price

Data as of 12/31/2002  
NAV per Share 207.16 USD

## Performance

	Fund	Benchmark
Month-to-date	0.78%	5.03%
Quarter-to-date	4.07%	4.73%
Year-to-date	9.08%	19.49%
Last 12-months	9.08%	19.49%
Last year (2001)	8.21%	-0.99%
Cumulative return since inception	107.16%	30.24%

## Performance (Life to date)



## Manager Biography Peter De Putron

Mr. De Putron graduated from Jesus College, Oxford with a BA & MA in Engineering Science. He began his career in the corporate finance department at the Royal Bank of Canada in 1985. From 1987 to 1990 Mr. De Putron worked for GNI, where he traded a portfolio of derivatives. After receiving an MBA in Finance and Entrepreneurial Management from the Wharton Business School at the University of Philadelphia in 1992, he went to work for IFM, a London based hedge fund, where he specialized in market neutral situations. He was also involved in developing and re-engineering the complete range of IFM's quantitative investment models. In 1996 Mr. De Putron founded De Putron Fund Management, an independent management firm focusing on market neutral situations and arbitrage.

## Management Philosophy

The fund's strategy is to profit from price differentials arising from complex corporate actions, capital restructurings and spin-offs, which are expected to narrow over a reasonable period of time. The fund takes advantage of arbitrage opportunities in voting and non-voting shares, convertible securities, warrants, options and other derivatives in different markets or time-zones. Although the fund may invest on a global basis, the primary geographic focus is Europe. The investment strategy aims for market neutrality and non-correlation with the direction of financial markets. Risk/return characteristics of each trade are identified using the following parameters: 1) volatility; 2) liquidity; 3) extractable value; 4) time; 5) position specific risk. The Manager uses a wide range of information resources to identify pricing anomalies. Sophisticated computer models are utilized to analyze inherent transaction and portfolio risks. Leverage may be used to enhance returns.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	15.14%	5.25%
Annualized Volatility	4.83%	6.95%
Annualized Gain Volatility	4.66%	5.21%
Annualized Loss Volatility	1.02%	3.34%
Loss Contribution to Volatility	15.88%	42.19%
Maximum Drawdown	-0.99%	-7.94%
Length / Time to Recovery	5 / 3	22 / 12
% of Negative Months	11.29%	48.39%
Annualized Sharpe Ratio	1.95	0.07
C.F. Value at Risk (95%)	-0.10%	-2.43%
Correlation Coefficient	1.00	-0.01

## General Information

Investment Manager	De Putron Fund Mgmt. Ltd.
Domicile	Offshore, Bermuda
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	11/01/1997
Management Fee	2.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Quarterly
Redemption periodicity	Quarterly
Minimum Investment	500,000 USD
Additional Investment	No Minimum
Lock-up Period	12 months
Notice Period	45 days
Administrator	Fulcrum Ltd.
Prime Broker	Morgan Stanley
Custodian	Morgan Stanley
Auditors	PricewaterhouseCoopers
Legal Advisors	Mello, Hollis, Jones & Martin

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3A  
Alternative  
Investments

# Crescendo European Fund Limited

STYLE: EQUITY HEDGE, Opportunistic/Trading

SECTOR FOCUS: Multi

REGION FOCUS: Europe, Western europe

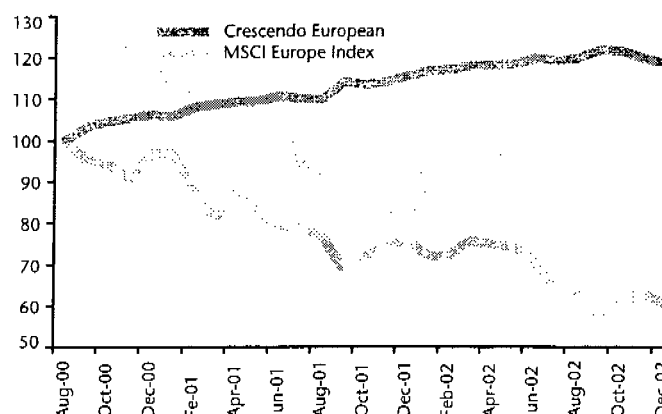
## Price

Data as of	12/31/2002
NAV per Share	118.54 USD

## Performance

	Fund	Benchmark
Month-to-date	-1.21%	-3.70%
Quarter-to-date	-2.72%	10.59%
Year-to-date	2.64%	-20.11%
Last 12-months	2.64%	-20.11%
Last year (2001)	8.77%	-21.23%
Cumulative return since inception	18.54%	-39.12%

## Performance (Life to date)



## Manager Biography Darrell O'Dea

Mr. O'Dea graduated from Brunel University in 1989 and spent two years at the National Provident Institution trading as a European investment analyst. In 1992, he joined Allied Dunbar where he became a fund manager and, following the merger of Allied Dunbar and Eagle Star Asset Management, he also became responsible for the management of the Threadneedle's European Select Growth Fund and the European portion of other portfolios. In 1997, Mr O'Dea became a Director of Scudder Threadneedle Investments Ltd. and as at June 2000 was responsible for the management of assets in excess of £1.5 billion. Mr O'Dea retained responsibility for the management of the Threadneedle European Select Growth Fund, even following the launch of the Crescendo European Fund.

## Management Philosophy

The investment objective of Crescendo European Fund is to achieve long-term capital growth primarily through investing in a range of equities of European Companies on both a short and long-term view. The Investment Manager will seek to capitalize on all investment opportunities across all sectors. The fund's investment process will associate fundamental research, analysis of investor's expectation and consensus estimates, valuation and investor sentiment, and catalyst for re-pricing. The manager also believes that a disciplined approach to selling stocks is crucial in achieving good fund performance. Consequently, strict review and sell disciplines will be established by the Investment Manager and will be monitored by an external risk analysis committee set up by the Investment Manager. A top-down overlay is used to adjust the overall exposure of the fund and to monitor the portfolio structure and risk profile. Finally, timing is a crucial part in actively managing the portfolio holding sizes.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	7.56%	-19.16%
Annualized Volatility	4.01%	19.80%
Annualized Gain Volatility	3.38%	10.40%
Annualized Loss Volatility	1.50%	13.55%
Loss Contribution to Volatility	36.63%	51.40%
Maximum Drawdown	-2.72%	-44.95%
Length / Time to Recovery	3 / N/A	25 / N/A
% of Negative Months	28.57%	64.29%
Annualized Sharpe Ratio	0.62	-1.21
C.F. Value at Risk (95%)	-0.98%	-8.10%
Correlation Coefficient	1.00	-0.44

## General Information

Investment Manager	Threadneedle Ass. Mgmt. Ltd.
Domicile	Offshore, Cayman Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	MSCI Europe Index
Base Currency	EUR
Inception date	09/01/2000
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	250,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	Intl. Fund Svcs. (Ireland)
Prime Broker	Morgan Stanley & Co. Intl.
Custodian	Morgan Stanley & Co. Intl.
Auditors	PricewaterhouseCoopers
Legal Advisors	Simmons & Simmons

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# DMG Legacy Fund Offshore

STYLE: EQUITY HEDGE, Value

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

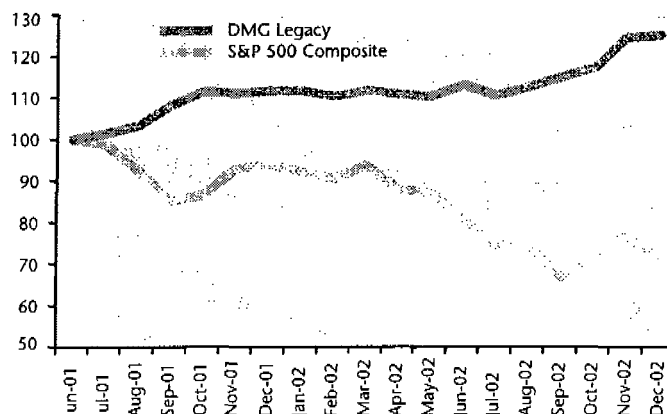
## Price

Data as of 12/31/2002  
NAV per Share 130.53 USD

## Performance

	Fund	Benchmark
Month-to-date	0.40%	-6.03%
Quarter-to-date	8.78%	7.92%
Year-to-date	12.02%	-23.37%
Last 12-months	12.02%	-23.37%
Last year (2001)	11.65%	-6.23%
Cumulative return since inception	25.07%	-28.14%

## Performance (Life to date)



## Manager Biography Tom McAuley

Tom McAuley, CFA, investment career began at Prudential Capital Management, where he worked as a high yield and equity analyst from 1988 to 1990. Following Prudential, he was a Managing Director at Tiger Management from 1991 to 1997. From 1997 through the start-up of the partnership, he actively managed his personal investment portfolio. Earlier, Mr McAuley worked at Arthur Andersen where he was a senior accountant. He received an MBA from Northwestern University in 1988. MR. McAuley is also a Partner at SDS Capital and co-manages the SDS Merchant Fund LP with Steve Derby. The Merchant Fund invests in private placements, and maintains a long short public market security portfolio.

## Management Philosophy

The investment manager uses a bottom up fundamental equity selection process to build his portfolio. The research drives the general exposure of the fund inside certain defined limits set as risk management. The general methodology is Sharpe driven using a diversified portfolio, relatively low leverage, and low net exposure in a comprehensive risk management framework designed to protect capital and keep volatility low. The fund will not invest in securities based on a macro view. Ideas are sourced from primary research, company and management contacts, established relationships with other principals in the hedge fund industry, published financial information, company restructuring, and eventually broker research.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	16.08%	-19.77%
Annualized Volatility	7.34%	19.85%
Annualized Gain Volatility	5.88%	11.36%
Annualized Loss Volatility	2.93%	11.76%
Loss Contribution to Volatility	40.47%	47.02%
Maximum Drawdown	-2.37%	-33.41%
Length / Time to Recovery	1 / 2	15 / N/A
% of Negative Months	33.33%	61.11%
Annualized Sharpe Ratio	1.41	-1.25
C.F. Value at Risk (95%)	-1.90%	-7.97%
Correlation Coefficient	1.00	0.14

## General Information

Investment Manager	DMG Advisors LLC
Domicile	Offshore, British Virgin Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	S&P 500 Composite
Base Currency	USD
Inception date	07/01/2001
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Quarterly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	No Minimum
Lock-up Period	None
Notice Period	61 days
Administrator	International Fund Admn. Ltd.
Prime Broker	Various
Custodian	Various
Auditors	Ernst & Young LLP
Legal Advisors	Coudert Brothers

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3A  
Alternative  
Investments

# Egerton European Dollar Fund Limited

STYLE: EQUITY HEDGE, Equity Hedge General

SECTOR FOCUS: Multi

REGION FOCUS: Europe, Western Europe

## Price

Data as of	12/31/2002
NAV per Share	53.31 USD

## Performance

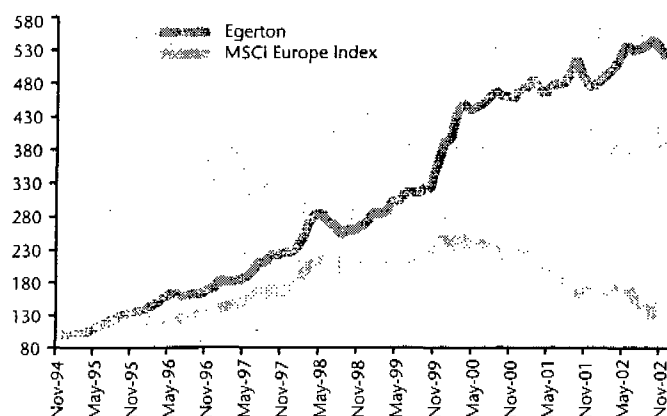
	Fund	Benchmark
Month-to-date	2.07%	-3.70%
Quarter-to-date	-2.29%	10.59%
Year-to-date	11.69%	-20.11%
Last 12-months	11.69%	-20.11%
Last year (2001)	1.12%	-21.23%
Cumulative return since inception	433.10%	41.12%

**Manager Biography** John C. Armitage & William G. Bollinger  
John C. Armitage is the CIO of Egerton Capital Ltd. He graduated from Cambridge University with a degree in Modern History in 1981 and joined the Investment Division of Morgan Grenfell specializing in Continental European equity research and fund management. Mr. Armitage has managed European equity portfolios for a wide variety of clients since 1987. He had sole responsibility for the Morgan Grenfell European Growth Trust from its launch in April 1988 until the end of March 1994, when he resigned from Morgan Grenfell. William G. Bollinger is the CEO of Egerton Capital Ltd. He has an MBA in Finance from the University of Texas. Following graduation in 1980, Mr. Bollinger joined Goldman Sachs & Co. as a securities analyst. From 1984 to June 1987, he worked at Tiger Management Company as a manager/analyst providing portfolio management services for the Tiger and Jaguar funds. He then participated in a number of other partnerships providing portfolio management services. In 1992, Mr. Bollinger relocated to the United Kingdom as an independent portfolio manager.

## Management Philosophy

The fund invests long and short in a diversified portfolio of equities, of which European equities account for at least 80%. The fund generally maintains a market exposure of at least 50% net long. The investment philosophy is based on the belief that European equity markets are inefficient and that superior fundamental research and equity valuation can yield superior investment returns. The fund may invest globally in a wide range of instruments including listed and unlisted equity and debt securities, warrants, foreign exchange and derivatives. The fund's fixed income and currency exposure is defensive in nature, primarily confined to protecting performance in the base currency.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	23.00%	4.35%
Annualized Volatility	10.92%	15.89%
Annualized Gain Volatility	9.00%	8.63%
Annualized Loss Volatility	5.30%	12.38%
Loss Contribution to Volatility	38.42%	59.51%
Maximum Drawdown	-11.05%	-48.59%
Length / Time to Recovery	3 / 5	33 / N/A
% of Negative Months	25.77%	37.11%
Annualized Sharpe Ratio	1.52	0.04
C.F. Value at Risk (95%)	-2.91%	-8.10%
Correlation Coefficient	1.00	0.30

## General Information

Investment Manager	Egerton Capital L.P.
Domicile	Offshore, British Virgin Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	MSCI Europe Index
Base Currency	USD
Inception date	12/01/1994
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	150,000 USD
Additional Investment	150,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	Daiva Europe Bank plc
Prime Broker	Morgan Stanley Intl. Ltd.
Custodian	Morgan Stanley Intl. Ltd.
Auditors	Ernst & Young
Legal Advisors	Simmons & Simmons

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# Farallon Capital Offshore Investors, Inc.

STYLE: ARBITRAGE, Arbitrage General

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

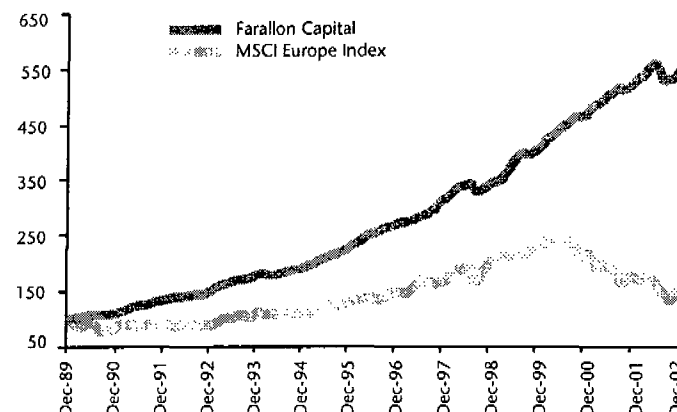
## Price

Data as of 12/31/2002  
NAV per Share 6.39 USD

## Performance

	Fund	Benchmark
Month-to-date	1.82%	-4.95%
Quarter-to-date	4.15%	7.32%
Year-to-date	5.00%	-21.06%
Last 12-months	5.00%	-21.06%
Last year (2001)	12.98%	-17.83%
Cumulative return since inception	456.87%	39.64%

## Performance (Life to date)



## Manager Biography Thomas F. Steyer

Mr. Steyer has been the Senior Managing Member of Farallon Capital Management, L.L.C., the Fund's Investment Manager, since 1990. He was also a general partner of Farallon's predecessor entity since its inception in 1986. Previously, Mr. Steyer worked in the risk arbitrage department of Goldman Sachs & Co. and was a general partner of Hellman & Friedman, a San Francisco-based investment banking firm engaged in principal investing, financial consulting and mergers and acquisitions advisory work. Mr. Steyer is a graduate from Yale University, where he graduated summa cum laude in Economics and Political Science and was elected to Phi Beta Kappa and of Stanford's Graduate School of Business, where he was an Arjay Miller Scholar. Before entering Stanford, he worked for two years in the Merger Department at Morgan Stanley.

## Management Philosophy

The fund invests in securities and instruments of companies undergoing extraordinary corporate transactions such as mergers, bankruptcies, reorganizations, and liquidations. The fund also invests in emerging market debt and equity, convertible arbitrage and other arbitrage strategies, and in other securities and instruments that the Manager believes are either significantly undervalued or overvalued. The fund may invest in both U.S. and non-U.S. opportunities, including cross-border mergers and reorganizations.

To limit risk, the fund invests in a large number of situations, generally between 100 and 150 at any one time. It is unusual for any single investment to account for more than 5% of fund capital. The fund utilizes leverage and short sales when appropriate, and may purchase or write covered or uncovered options on individual securities or market indices. Historically, leverage has been kept low. Derivatives are used primarily for hedging.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	14.12%	2.60%
Annualized Volatility	3.78%	15.07%
Annualized Gain Volatility	2.71%	8.26%
Annualized Loss Volatility	-4.70%	10.24%
Loss Contribution to Volatility	49.50%	55.92%
Maximum Drawdown	-5.53%	-48.85%
Length / Time to Recovery	2 / N/A	30 / N/A
% of Negative Months	8.97%	42.31%
Annualized Sharpe Ratio	2.24	-0.08
C.F. Value at Risk (95%)	-1.17%	-7.31%
Correlation Coefficient	1.00	0.33

## General Information

Investment Manager	Farallon Capital Mgmt., L.L.C.
Domicile	Offshore, British Virgin Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	MSCI World Index
Base Currency	USD
Inception date	01/01/1990
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	5,000,000 USD
Additional Investment	500,000 USD
Lock-up Period	None
Notice Period	45 days
Administrator	Goldman Sachs (Cayman)
Prime Broker	Goldman Sachs (Cayman)
Custodian	Goldman Sachs (Cayman)
Auditors	Ernst & Young
Legal Advisors	Schulte Roth & Zabel LLP.

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# Framework Asset Investors

STYLE: GLOBAL MACRO

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of	12/31/2002
NAV per Share	102.34 USD

## Performance

	Fund	Benchmark
Month-to-date	2.77%	-4.95%
Quarter-to-date	2.41%	7.32%
Year-to-date	3.04%	-12.73%
Last 12-months	3.04%	-12.73%
Last year (2001)	N/A	N/A
Cumulative return since inception	3.04%	-12.73%

## Manager Biography Mr. Gitlin

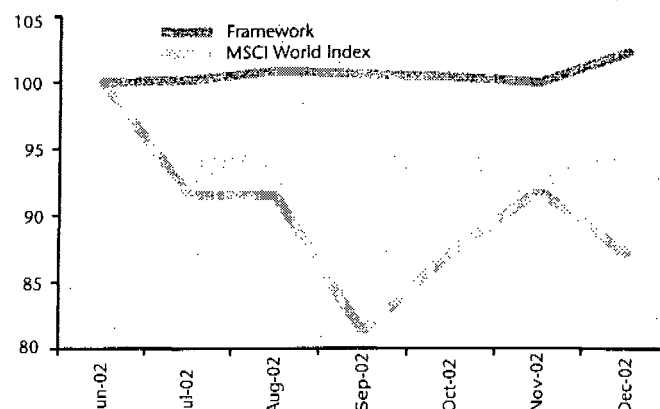
Mr. Gitlin, CEO and a co-founder of Framework, is responsible for overall corporate direction, product development and distribution, international operations and development of specialized products. Prior to launching Framework in 2001, Mr. Gitlin was recruited by American International Group in 1992 to lead the formation and development of a third party, alternative investment management business. Mr. Gitlin began his hedge fund career at Chase Manhattan Bank in 1988 by successfully obtaining authority from the Controller of the Currency to be the first commercial bank to act as an investment pool operator. Mr. Gitlin then joined the Foreign Exchange Division where he developed the bank's margin trading program for hedge funds and commodity pools that were beginning to take advantage of the cash currency markets. Mr. Gitlin graduated from Cornell University in January 1982.

Mr. Glover co-founded Framework in 2001 along with Mr. Gitlin, where he presently serves as Framework's Chief Market Strategist ("CMS"). Mr. Glover established Finagra USA Inc., in August 1992, as a merchant of physical coffee, cocoa, and sugar, and established Framework Advisors, LLC as an investment manager for which he also serves as CMS. Mr. Glover was in charge of cocoa trading at Lonray Cocoa Inc. from May 1989 to September 1992 and at V. Berg International Inc. from October 1987 to April 1989. In 1981, Mr. Glover joined Volkart Brothers UK Ltd., a trading company in London. Mr. Glover graduated from the London School of Economics in 1981.

## Management Philosophy

The Fund's strategy is to methodically search global markets for physical and other assets and their derivatives, which may be misvalued relative to similar assets or relative to overall market conditions. The Advisor generally will seek investment opportunities for the Fund through arbitrage, relative value or direct long and short investments. There is no restriction with respect to the markets or the physical assets in which the Fund may invest. Such markets may, by example, initially include but are not limited to energy, industrial materials, precious and base metals, consumables, agricultural products and natural resource securities. Such physical assets may, by example, initially include, but are not limited to energy products, metals, soft commodities, industrial materials, consumer staples, securities, equity and debt instruments, futures, options, and swaps, and derivatives of any of the foregoing. The Fund may also engage in commodity finance.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	4.73%	-23.85%
Annualized Volatility	3.60%	25.78%
Annualized Gain Volatility	3.94%	13.00%
Annualized Loss Volatility	0.50%	10.74%
Loss Contribution to Volatility	26.47%	48.38%
Maximum Drawdown	-0.87%	-18.69%
Length / Time to Recovery	3 / 1	3 / N/A
% of Negative Months	50.00%	50.00%
Annualized Sharpe Ratio	-0.06	-1.12
C.F. Value at Risk (95%)	0.05%	-7.31%
Correlation Coefficient	1.00	-0.24

## General Information

Investment Manager	Framework Management LLC
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Closed
Benchmark	MSCI World Index
Base Currency	USD
Inception date	08/01/2002
Management Fee	2.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	2,500,000 USD
Additional Investment	No Minimum
Lock-up Period	None
Notice Period	60 days
Administrator	Caledonian Bank & Trust
Prime Broker	FIMAT
Custodian	FIMAT
Auditors	Ernst & Young
Legal Advisors	Skadden, A., S., M. & Flom

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# Graham Global Inv. Fund II – Fed Policy Portfolio

STYLE: GLOBAL MACRO

SECTOR FOCUS: Financials

REGION FOCUS: North America, USA

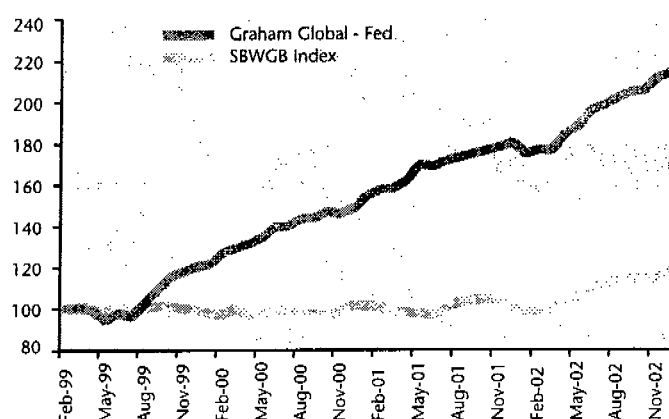
## Price

Data as of	12/31/2002
NAV per Share	214.05 USD

## Performance

	Fund	Benchmark
Month-to-date	1.11%	5.03%
Quarter-to-date	4.49%	4.73%
Year-to-date	18.58%	19.49%
Last 12-months	18.58%	19.49%
Last year (2001)	21.37%	-0.99%
Cumulative return since inception	114.05%	19.99%

## Performance (Life to date)



## Manager Biography Fred Levin

Fred Levin started his career in 1970 with Federal Reserve Bank of New York, where he directed the research of 22 professional economists. From 1979 to 1982 he participated in implementing open market operations. In 1982, Mr. Levin left Federal Reserve Bank of New York and served as advisor on interest rate outlooks at Citibank. Between 1991 and 1998, he was Chief economist and Proprietary trader at Eastbridge Capital, where he developed a proprietary fundamental approach for valuing options on Eurodollar futures contracts and other money market instruments. In 1999, Mr. Levin joined Graham Capital Management as Chief Economist and Senior Discretionary Trader.

## Management Philosophy

The Fed Policy Program seeks to maximize total return on a risk-adjusted basis by employing sophisticated analytical methods based on a discretionary assessment of Federal Reserve policy. The Fed Policy Program utilizes proprietary trading strategies in options on Eurodollar futures contracts to exploit mispricing in short-term interest rates in the United States while maintaining a consistently favorable risk reward profile. The fund trades option and future contracts on both the long and the short sides.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	21.96%	4.87%
Annualized Volatility	7.89%	6.94%
Annualized Gain Volatility	6.01%	5.07%
Annualized Loss Volatility	6.16%	3.36%
Loss Contribution to Volatility	44.53%	42.14%
Maximum Drawdown	-6.14%	-5.93%
Length / Time to Recovery	2 / 3	3 / 4
% of Negative Months	15.22%	52.17%
Annualized Sharpe Ratio	1.96	0.02
C.F. Value at Risk (95%)	-2.32%	-2.43%
Correlation Coefficient	1.00	0.20

## General Information

Investment Manager	Graham Capital Mgmt., L.P.
Domicile	Offshore, British Virgin Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	03/01/1999
Management Fee	3.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Bi-monthly
Redemption periodicity	Bi-monthly
Minimum Investment	100,000 USD
Additional Investment	No Minimum
Lock-up Period	None
Notice Period	None
Administrator	Citco Fund Services N.V.
Prime Broker	Refco, Inc.
Custodian	Various
Auditors	Arthur Andersen LLP
Legal Advisors	Coudert Brothers

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# Hunter Global Investors Offshore Fund Ltd.

STYLE: EQUITY HEDGE, Value

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

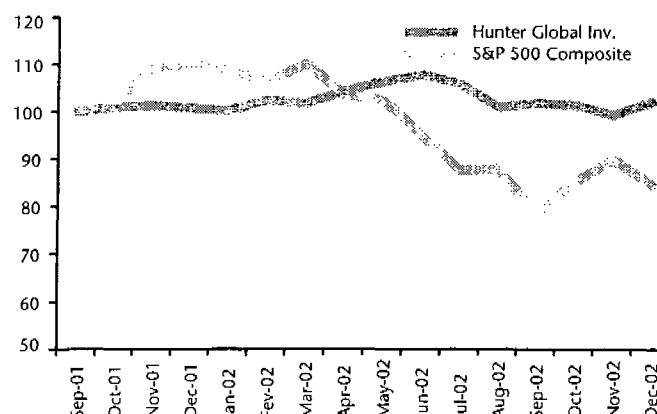
## Price

Data as of	12/31/2002
NAV per Share	1,021.86 USD

## Performance

	Fund	Benchmark
Month-to-date	2.88%	-6.03%
Quarter-to-date	0.27%	7.92%
Year-to-date	1.35%	-23.37%
Last 12-months	1.35%	-23.37%
Last year (2001)	0.83%	10.29%
Cumulative return since inception	2.19%	-15.48%

## Performance (Life to date)



## Manager Biography Duke Buchan III

Duke Buchan III is a Managing Director and the President and Chief Investment Officer of the Investment Manager and is the sole portfolio manager of the Fund. Prior to founding Hunter, Mr. Buchan was a Managing Director of Maverick Capital, Ltd. and a Principal of its affiliate, MCL Corp., and served as the Sector Head of Maverick's Global Financial Services Group between 1997 and 2001. Maverick manages a multi-billion dollar portfolio pursuant to global long/short equity strategies through, among other vehicles, private investment funds. While affiliated with Maverick, Mr. Buchan gained extensive experience in a global long/short investment strategy and a comprehensive knowledge of the private investment fund business model. Prior to Maverick, Mr. Buchan was a Vice President with Merrill Lynch & Co. in New York.

As a member of Merrill's Global Financial Institutions Group between 1992 and 1997, Mr. Buchan specialized in Corporate Finance and Mergers and Acquisitions in the U.S., Europe and Latin America. Mr. Buchan received a B.A. in Economics and Spanish, with Honors, from the University of North Carolina in 1985, and a M.B.A. from Harvard Business School in 1991.

## Management Philosophy

The fund's objective is to maximize risk adjusted returns while preserving capital by employing bottom-up fundamental analysis and maintaining a low net market exposure. In constructing the portfolio, the manager seeks to invest in the following sectors: consumer / retail, financial services, industrials, telecom / media, healthcare and technology. Long positions typically fall in the following categories: companies undergoing restructurings, companies with predictable earnings growth, high returns on capital and sustainable competitive advantages at reasonable prices. Short positions include among others: flawed business models or strategies, market share losers or fraudulent situations. The manager invests globally in developed markets but with a strong focus on US markets. Typically, the fund has a diversified portfolio (+75 positions) and uses a limited gearing.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	1.75%	-12.59%
Annualized Volatility	7.03%	20.40%
Annualized Gain Volatility	2.99%	11.36%
Annualized Loss Volatility	5.20%	12.28%
Loss Contribution to Volatility	59.48%	50.12%
Maximum Drawdown	-7.85%	-28.99%
Length / Time to Recovery	5 / N/A	9 / N/A
% of Negative Months	46.67%	53.33%
Annualized Sharpe Ratio	-0.42	-0.80
C.F. Value at Risk (95%)	-3.89%	-7.97%
Correlation Coefficient	1.00	-0.35

## General Information

Investment Manager	Hunter Global Investors L.P.
Domicile	Offshore, Cayman Islands
Fund Type	Closed-ended
Fund Status	Open
Benchmark	S&P 500 Composite
Base Currency	USD
Inception date	10/01/2001
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	250,000 USD
Lock-up Period	12 months
Notice Period	30 days
Administrator	CIBC Bank & Trust Co. Ltd.
Prime Broker	Morgan Stanley & Co.
Custodian	Morgan Stanley & Co.
Auditors	PricewaterhouseCoopers LLP
Legal Advisors	Schulte Roth & Zabel LLP

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# Kensington Global Strategies Fund, Ltd.

STYLE: ARBITRAGE, Arbitrage General

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

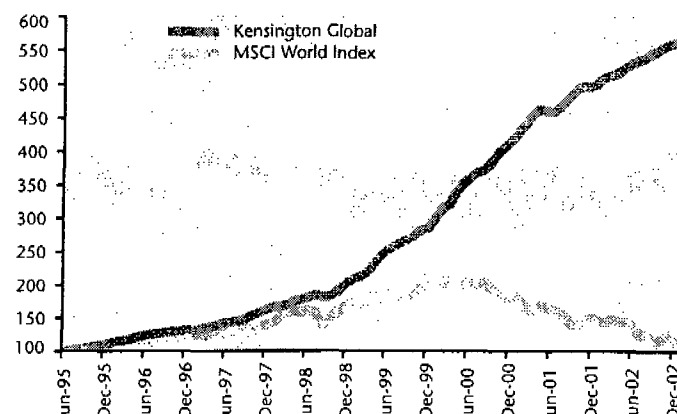
## Price

Data as of	12/31/2002
NAV per Share	558.03 USD

## Performance

	Fund	Benchmark
Month-to-date	0.86%	-4.95%
Quarter-to-date	2.52%	7.32%
Year-to-date	13.28%	-21.06%
Last 12-months	13.28%	-21.06%
Last year (2001)	19.11%	-17.83%
Cumulative return since inception	462.83%	18.36%

## Performance (Life to date)



## Manager Biography

**Kenneth C. Griffin**  
Mr. Griffin is the president of Citadel Investment Group L.L.C. Since 1987, he has been responsible for managing various partnerships and managed accounts utilizing relative value and event-driven investment and trading strategies. In 1990, Mr. Griffin founded Citadel Investment Group, Inc., the predecessor to Citadel Investment Group L.L.C. Prior to his work in investments, Mr. Griffin provided programming and consulting services to clients such as IBM, and co-founded Discovery Software Inc., the nationwide distributor of software to the educational community. Mr. Griffin graduated with honors from Harvard College, with a BA in economics.

## Management Philosophy

The principal activity of the fund is in relative value trading strategies that involve the identification of assets not efficiently priced by the market in relation to the price of other, similar assets. The investment focus is in U.S. and Japanese convertible bonds, global merger arbitrage and U.S. equities pairs trading. The Trading Manager uses mathematical and statistical techniques, generally computer-aided, in an attempt to identify sets of long and short positions where relative inefficiencies appear to exist. Within the general relative value framework of the strategy, investments are made in a wide range of securities, including equities, convertible securities, warrants, options, corporate bonds, government bonds, financial futures, swaps and other instruments. The Manager may also from time to time invest in distressed securities.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	25.91%	2.27%
Annualized Volatility	4.93%	15.65%
Annualized Gain Volatility	4.46%	7.80%
Annualized Loss Volatility	2.60%	11.05%
Loss Contribution to Volatility	21.63%	58.30%
Maximum Drawdown	-1.95%	-48.45%
Length / Time to Recovery	1 / 2	30 / N/A
% of Negative Months	5.56%	42.22%
Annualized Sharpe Ratio	3.75	-0.09
C.F. Value at Risk (95%)	-0.20%	-7.31%
Correlation Coefficient	1.00	0.00

## General Information

Investment Manager	Citadel LP
Domicile	Offshore, Bermuda
Fund Type	Open-ended
Fund Status	Closed
Benchmark	MSCI World Index
Base Currency	USD
Inception date	07/31/1995
Management Fee	N/A
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	500,000 USD
Additional Investment	500,000 USD
Lock-up Period	None
Notice Period	45 days
Administrator	Leeds Mgmt. Services, Ltd.
Prime Broker	Various
Custodian	Butterfield Trust (Bermuda)
Auditors	Andersen & Co.
Legal Advisors	Appleby, Spurling & Kempe

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# Lansdowne European Equity Fund Ltd.

STYLE: EQUITY HEDGE, Equity Hedge General

SECTOR FOCUS: Multi

REGION FOCUS: Europe, Western Europe

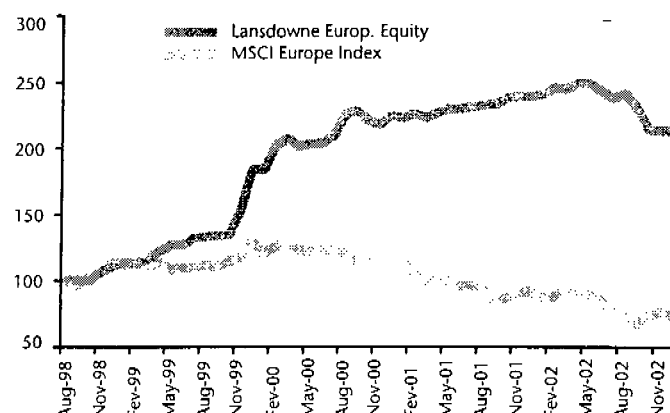
## Price

Data as of 12/31/2002  
NAV per Share 107.20 USD

## Performance

	Fund	Benchmark
Month-to-date	0.41%	-3.70%
Quarter-to-date	-6.59%	10.59%
Year-to-date	-10.36%	-20.11%
Last 12-months	-10.36%	-20.11%
Last year (2001)	6.41%	-21.23%
Cumulative return since inception	114.40%	-26.45%

## Performance (Life to date)



## Manager Biography

Steven Heinz and Paul Ruddock  
Mr. Heinz worked for the Harvard Management Company from 1995 to 1998 where he was responsible for making fundamentally based investments in the US and Europe. Prior to joining Harvard in 1995, Mr. Heinz was a Vice President at Goldman Sachs & Co. where he was responsible for developing proprietary investments for the firm and its clients. From 1991 to 1993, Mr. Heinz consulted at McKinsey & Co. on strategy and re-engineering projects. In 1984, Mr. Heinz received his MBA and MS in Industrial Engineering from the University of California at Berkeley at the age of twenty-one. He received his BA in Applied Mathematics (Phi Beta Kappa, with Honors) in 1982 also from Berkeley.

Mr. Ruddock worked with Schroder & Co., Inc. in London from 1984 to June 1998. In 1991 he was promoted to Managing Director in charge of all international sales offices of Schroder & Co. During 1995 and 1996 he led a strategic review of Schroder Plc's worldwide Private Banking Businesses, comprising private client asset management, broking and banking in Europe, the USA and Asia. Prior to joining Schroder & Co., Mr. Ruddock worked as an institutional equity salesman at Goldman Sachs & Co. in London. Mr. Ruddock received his BA in law in 1980 and his MA in law in 1984 both from Oxford University.

## Management Philosophy

The managers' objective is to match the markets performance (net of fees) during bull markets, to achieve a net 10%-15% when they are flat and to protect capital during bear markets. The investment policy is based on the belief that European equity markets are inefficient in pricing corporate events (restructuring / downsizing) or companies able to create significant and lasting value or growth. Investment is done mostly in equity and equity related securities of European companies. The time horizon on core investments is 12-24 months. Typically the investments are concentrated in a small number of individual positions: 15-20 representing at least 80% of all the investments. Short positions are used both to create investments and to hedge out perceived risks. While the maximum potential borrowing used for leverage is capped to around 200% of the net asset value, the usual one is around 50%. Investment in big cap stocks usually represents at least 20% of assets. In normal market conditions, long exposure to market may range from 50% to 150%. Typically, investments are hedged back into the base currency of the fund.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	19.24%	-6.84%
Annualized Volatility	15.06%	17.80%
Annualized Gain Volatility	15.07%	9.75%
Annualized Loss Volatility	6.45%	12.08%
Loss Contribution to Volatility	25.13%	53.04%
Maximum Drawdown	-14.33%	-48.59%
Length / Time to Recovery	7 / N/A	33 / N/A
% of Negative Months	34.62%	53.85%
Annualized Sharpe Ratio	0.92	-0.58
C.F. Value at Risk (95%)	-2.67%	-8.10%
Correlation Coefficient	1.00	0.40

## General Information

Investment Manager	Lansdowne Partners, LP
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Closed
Benchmark	MSCI Europe Index
Base Currency	EUR
Inception date	08/01/1998
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	250,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	MeesPierson Fund Svcs.
Prime Broker	Morgan Stanley & Co.
Custodian	Morgan Stanley & Co.
Auditors	Ernst & Young
Legal Advisors	Maples & Calder

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# Levco Alternative Fund, Ltd.

STYLE: ARBITRAGE, Arbitrage General

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

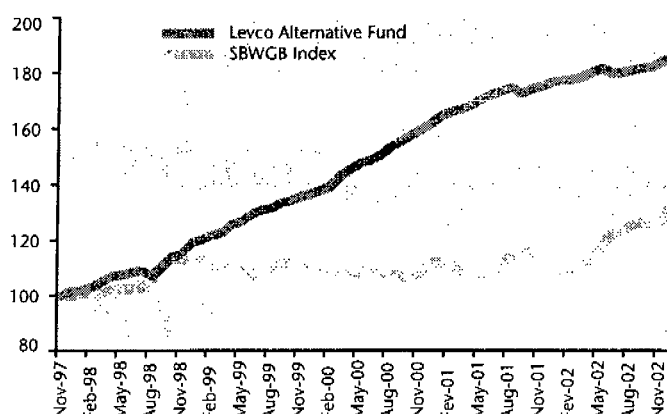
## Price

Data as of	12/31/2002
NAV per Share	185.49 USD

## Performance

	Fund	Benchmark
Month-to-date	0.81%	5.03%
Quarter-to-date	2.11%	4.73%
Year-to-date	5.04%	19.49%
Last 12-months	5.04%	19.49%
Last year (2001)	9.18%	-0.99%
Cumulative return since inception	85.49%	32.27%

## Performance (Life to date)



## Manager Biography

**Frank F. Rango and Henry Levin**  
Frank Rango joined John A. Levin & Co., Inc., the Investment Manager in February 1987 and is a Senior Portfolio Manager and Securities/Arbitrage Analyst. Prior to that, Mr. Rango served as an analyst for McMahan & Co. from February 1984 until January 1987. Mr. Rango graduated with a degree in Economics from the State University of New York in 1978 and received an MBA from New York University School of Business in 1983.

Henry Levin, a graduate of Yale University, joined John A. Levin & Co., Inc., the Investment Manager in October 1991 and is a Portfolio Manager and Securities/Arbitrage Analyst. Prior to joining the Investment Manager, Mr. Levin served as President of Outreach Affiliates, a direct marketing firm, from June 1985 until September 1991.

## Management Philosophy

The Fund's investment objective is to achieve consistent, above average rates of return on a risk adjusted basis primarily by investing in:

- I. merger and event arbitrage transactions,
- II. corporate restructuring and other event driven situations,
- III. convertible securities on an outright and hedged basis, and
- IV. securities that are potentially volatile, including securities in undervalued, vulnerable, distressed and bankrupt entities. The fund may also make concentrated investments in securities of entities that are or may become the target of takeover or in securities of acquiring companies. The fund may utilize leverage in its investment program (borrowing up to 150% of its net capital) and may hedge, as deemed appropriate, to reduce market risk. The fund is not subject to any guidelines with respect to diversification, and for any given period of time, the investments of the Fund may be concentrated in a relatively small number of positions including, without limitation, cash or cash equivalents.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	12.92%	5.66%
Annualized Volatility	3.11%	6.95%
Annualized Gain Volatility	2.56%	5.21%
Annualized Loss Volatility	1.13%	3.39%
Loss Contribution to Volatility	33.83%	42.51%
Maximum Drawdown	-1.63%	-7.94%
Length / Time to Recovery	1 / 1	22 / 12
% of Negative Months	4.92%	47.54%
Annualized Sharpe Ratio	2.37	0.12
C.F. Value at Risk (95%)	-0.50%	-2.43%
Correlation Coefficient	1.00	0.02

## General Information

Investment Manager	John A. Levin & Co., Inc.
Domicile	Offshore, Cayman Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	12/15/1997
Management Fee	1.50%
Performance/Incentive Fee	15.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	12 months
Notice Period	10 days
Administrator	Hemisphere Fund Managers Ltd.
Prime Broker	Bear Stearns & M. Stanley
Custodian	Bear Stearns & M. Stanley
Auditors	Richard A. Eisner & Co., LLP
Legal Advisors	Truman Bodden & Co.

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# Levco Debt Opportunity Fund Ltd.

STYLE: SPECIAL SITUATIONS, Distressed Securities

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

## Price

Data as of	12/31/2002
NAV per Share	103.16 USD

## Performance

	Fund	Benchmark
Month-to-date	0.82%	5.03%
Quarter-to-date	1.24%	4.73%
Year-to-date	1.71%	19.49%
Last 12-months	1.71%	19.49%
Last year (2001)	1.42%	3.74%
Cumulative return since inception	3.16%	23.97%

**Manager Biography** Stuart R. Kovensky and Michael J. Gelblat  
Stuart Kovensky and Michael Gelblat joined John Levin A. & Co in February 2001 to help Frank Rango and Henry Levin in their distressed debt effort in the Levco Alternative Fund.

Prior to joining J. Levin, Mr. Gelblat was a Principal of Redwood Capital Management, a hedge fund that specializes in distressed securities. Prior to that, he was a Director at SG Cowen, where he co-managed a proprietary trading group focused on distressed securities. Mr. Gelblat has close to 10 years of expertise in formulating and implementing work-out strategies at Societe Generale, European American Bank/ABN Amro, and Standard Chartered Bank. He received a BS degree from NYU in 1985.

Prior to joining J. Levin, Stuart Kovensky was a Principal at Murray Capital Management. From 1989 to 1995, he served in a number of corporate finance positions at Chase Manhattan Bank and Chase Securities, including two years in the high yield finance group. He received an MBA from NYU in 1996.

## Management Philosophy

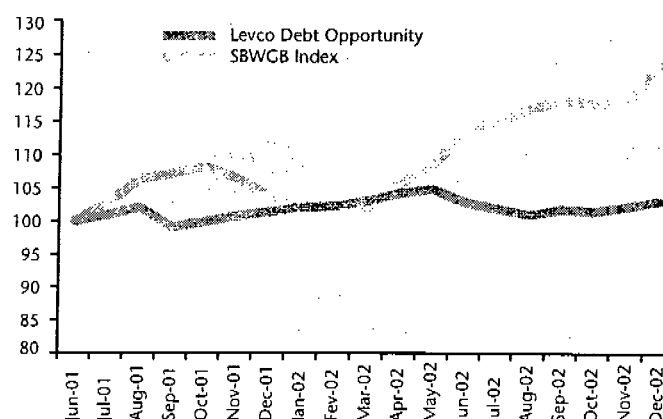
The fund's investment objective is to return mid to high teens performances with a low correlation to the market. This objective should be seen more as an indication than an absolute target due to the opportunistic event driven approach of the managers.

The fund will be investing primarily in instruments issued by financially troubled, distressed, bankrupt or highly leveraged companies, with situations with a defined catalyst.

The fund will also engage in selling short securities both as an attempt to hedge certain investments on the long portion of the portfolio (mainly distressed against perfectly priced high yield), or as an outright short in debt or equity securities that the manager considers as overpriced or the issuer could become distressed.

The research approach is a mix of value based, bottom-up fundamental analysis, relative value analysis, event and timing identification, and analysis of the interests of the different stakeholders.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	2.09%	15.40%
Annualized Volatility	3.96%	7.65%
Annualized Gain Volatility	0.86%	5.77%
Annualized Loss Volatility	-3.59%	3.40%
Loss Contribution to Volatility	75.18%	44.49%
Maximum Drawdown	-3.68%	-5.93%
Length / Time to Recovery	3 / N/A	3 / 4
% of Negative Months	27.78%	27.78%
Annualized Sharpe Ratio	-0.69	1.28
C.F. Value at Risk (95%)	-2.29%	-2.43%
Correlation Coefficient	1.00	-0.09

## General Information

Investment Manager	John A. Levin & Co., Inc.
Domicile	Offshore, Cayman Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	07/01/2001
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	60 days
Administrator	Hemisphere Fund Mgrs. Ltd.
Prime Broker	Morgan Stanley & Co.
Custodian	Morgan Stanley & Co.
Auditors	Richard Eisner & Co., LLP
Legal Advisors	Schulte Roth & Zabel

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# LG Asian Plus Limited

STYLE: EQUITY HEDGE, Equity Hedge General

SECTOR FOCUS: Multi

REGION FOCUS: Asia

## Price

Data as of	12/31/2002
NAV per Share	217.35 USD

## Performance

	Fund	Benchmark
Month-to-date	-0.95%	-6.16%
Quarter-to-date	0.24%	3.75%
Year-to-date	2.73%	-10.12%
Last 12-months	2.73%	-10.12%
Last year (2001)	16.71%	-5.94%
Cumulative return since inception	109.53%	6.10%

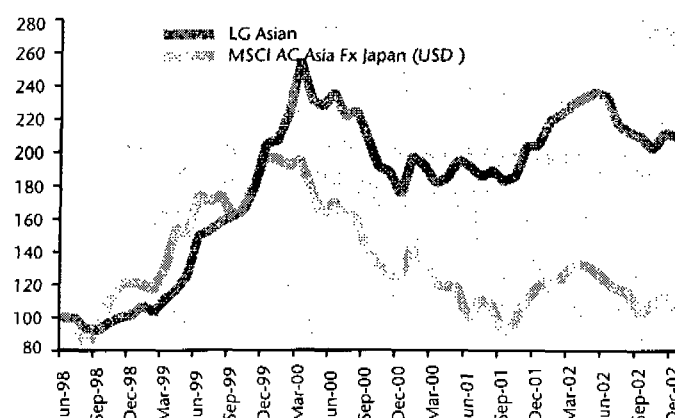
## Manager Biography

**Zaheer Sitabkhan**  
Zaheer Sitabkhan graduated from Case Western Reserve University in 1987 with a BA and from Indiana University in 1991 with an MBA. Before joining Lloyd George Management, he worked on business development projects for local companies both in Moscow and Prague. Since joining Lloyd George Management in 1995, he has been involved in managing the LG Asian Smaller Companies Fund, LG India Fund and LG Asian Plus as well as Asian regional accounts for institutional clients.

## Management Philosophy

The Fund aims to achieve absolute gains through stock picking. Longs will provide the bulk of upside while shorts are used for hedging and avoidance of capital loss. The Fund is a bottom up stock picking long/short equity fund. It is not market neutral but long biased. Well-managed growth companies form the core of the portfolio (50% of the longs), the balance held in stocks which have the potential to become well managed growth companies, value stocks and restructuring stories. Trading positions account for 15% of the longs. Shorts are valuation and cash flow driven. Obvious premiums to DCF, PE, P/BV and/or diminishing sales and operating cash flow form short positions.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	17.87%	1.32%
Annualized Volatility	20.71%	29.31%
Annualized Gain Volatility	15.73%	19.25%
Annualized Loss Volatility	9.53%	16.82%
Loss Contribution to Volatility	42.67%	46.14%
Maximum Drawdown	-31.56%	-53.56%
Length / Time to Recovery	9 / N/A	21 / N/A
% of Negative Months	40.74%	55.56%
Annualized Sharpe Ratio	0.66	0.02
C.F. Value at Risk (95%)	-7.48%	-13.36%
Correlation Coefficient	1.00	0.62

## General Information

Investment Manager	Lloyd George Inv. Mgmt. Ltd.
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	MSCI AC Asia Fx Japan (USD)
Base Currency	USD
Inception date	07/10/1998
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Bi-monthly
Redemption periodicity	Bi-monthly
Minimum Investment	\$0,000 USD
Additional Investment	No Minimum
Lock-up Period	None
Notice Period	1 day
Administrator	The Bank of Bermuda (Cay) Ltd.
Prime Broker	Morgan S. & Co. Intl. Ltd.
Custodian	The Bank of Bermuda (Cay) Ltd.
Auditors	KPMG
Legal Advisors	Maples and Calder Asia

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3A  
Alternative  
Investments

# Marathon Overseas Fund Ltd.

STYLE: ARBITRAGE, Fixed Income Arbitrage

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of	12/31/2002
NAV per Share	166.94 USD

## Performance

	Fund	Benchmark
Month-to-date	1.54%	5.03%
Quarter-to-date	7.16%	4.73%
Year-to-date	12.30%	19.49%
Last 12-months	12.30%	19.49%
Last year (2001)	5.99%	-0.99%
Cumulative return since inception	66.94%	31.64%

**Manager Biography** Bruce J. Richards and Lou Hanover  
Prior to establishing Marathon in 1998, Mr. Richards was a bond trader for 15 years, 10 years of which he was a Managing Director and Head of a fixed income division. He joined Smith Barney in 1994 as a Managing Director of the mortgage-backed securities trading and research division, which included trading and securitization of residential mortgages, asset-backed securities and commercial real estate. Between 1988 and 1994, he was employed at Donaldson, Lufkin & Jenrette as Managing Director and Head trader. Mr. Richards received his BA in Economics from Tulane University in 1982. Mr. Hanover is the co-managing member and co-founder of Marathon Asset Management. Prior to co-founding the Investment Manager, he was a Managing Director at Smith Barney where he was responsible for all trading and risk management in the Global Emerging Debt Trading Division. Previously, he was a Director at Merrill Lynch, part of the equity derivative team at Nomura and a foreign exchange proprietary trader at First Chicago Capital Markets. In 1989, he received an MBA from the graduate school of business at Chicago University as well as a BA in economic History.

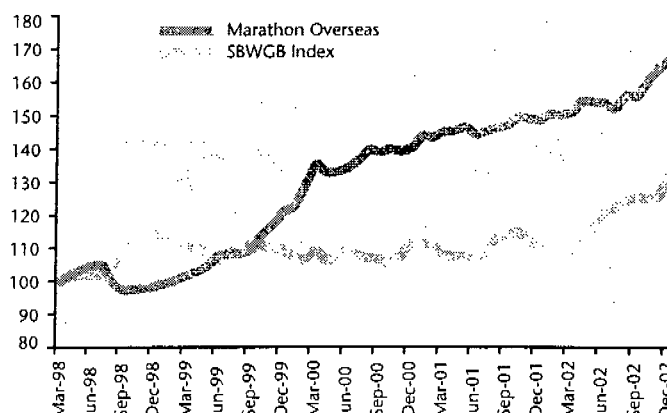
## MANAGEMENT PHILOSOPHY

The Investment Manager focuses on those investment opportunities that are believed to offer the best risk/reward ratios. A top-down approach to investing across all sectors of the mortgage-backed, asset-backed and emerging markets are utilized to concentrate the investment focus, and then a more technical, bottom-up analysis will be utilized to implement the following specific strategies:

1. Relative value and arbitrage opportunities – The manager seeks profits from arbitrage opportunities which exist within credit spreads, the yield curve, sectorial trades and relative value transactions. The Investment Manager takes an opportunistic approach to trading securities and identifying undervalued assets and mispriced securities.
2. Longer term investment opportunities – The fund seeks longer term investment opportunities through transactions in inadequately understood securities in both developing and nascent markets and opportunities that may be presented due to the illiquidity and temporarily distressed markets.

The fund will often utilize leverage in its operation.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	11.39%	5.96%
Annualized Volatility	6.14%	7.15%
Annualized Gain Volatility	4.42%	5.30%
Annualized Loss Volatility	4.83%	3.47%
Loss Contribution to Volatility	49.84%	42.85%
Maximum Drawdown	-7.60%	-7.94%
Length / Time to Recovery	2 / 9	22 / 12
% of Negative Months	26.32%	47.37%
Annualized Sharpe Ratio	1.00	0.16
C.F. Value at Risk (95%)	-2.27%	-2.43%
Correlation Coefficient	1.00	-0.12

## General Information

Investment Manager	Marathon Asset Management
Domicile	Offshore, Cayman Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	04/01/1998
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	60 days
Administrator	CITCO
Prime Broker	Sal. S. Barney & B. Stearns
Custodian	Sal. S. Barney & B. Stearns
Auditors	Ernst & Young
Legal Advisors	Seward & Kissel LLP

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# Maverick Fund Ltd.

STYLE: EQUITY HEDGE, Equity Hedge General

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of	12/31/2002
NAV per Share	671.44 USD

## Performance

	Fund	Benchmark
Month-to-date	1.72%	-6.03%
Quarter-to-date	3.04%	7.92%
Year-to-date	2.61%	-23.37%
Last 12-months	2.61%	-23.37%
Last year (2001)	5.30%	-13.04%
Cumulative return since inception	571.44%	101.93%

## Manager Biography Lee S. Ainslie III

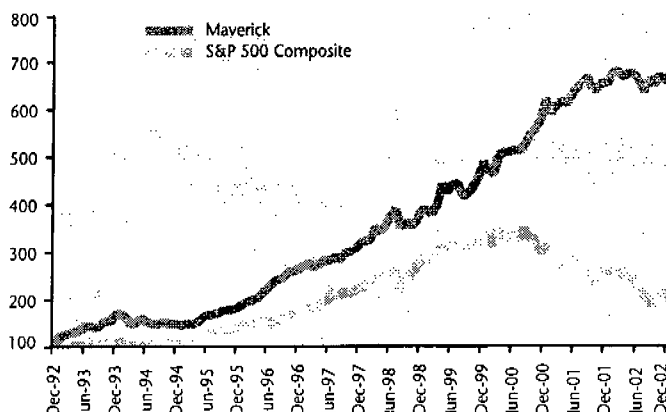
Mr. Ainslie manages the day to day activities and the long-term strategic direction of the firm. From July 1990 until August 1993, Mr. Ainslie was a Managing Director of Tiger Management Corporation in New York, a manager of private investment funds. Prior to joining Tiger, he was employed by KPMG Peat Marwick & Co. as a consultant for the firm's National Director of Information Technology. He joined Maverick in August, 1993 and assumed sole management of the company in March, 1995. He is a graduate of the University of Virginia (Westmoreland Davis Scholar and Thomas Pinckney Bryan Jr. Scholar) and received an MBA from the University of North Carolina. He is also a graduate of the United States Marine Corps' Officer Candidates School.

## Management Philosophy

The fund is managed as a traditional hedged fund, maintaining low net exposures to each region and industry in which it invests. Typically, these exposures are maintained at between 20% and 60% net long. By doing so, the fund greatly reduces market, regional and sectorial risks and focuses on stock selection rather than market timing and market direction to generate returns. The fund does not invest in currencies, commodities, or derivatives, with the exception of the occasional use of listed options. Conservative levels of leverage are employed, with gross exposure averaging about 190%. Maverick invests in equities, both long and short, with a focus on large capitalization US stocks, although it may invest in markets worldwide.

Investment decisions are driven by a fundamental "bottom-up" approach that includes extensive company visits and frequent contacts with competitors, customers, and suppliers of potential and current investments. Analysis focuses on the fundamentals of a company's business, the quality and experience of its management, and several evaluation measures, the most important of which is free cash flow. Maverick is a long-term, value-based investor with an investment horizon usually measured in years for both its long and short investments.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	20.98%	7.28%
Annualized Volatility	13.14%	15.47%
Annualized Gain Volatility	10.09%	8.18%
Annualized Loss Volatility	7.73%	10.65%
Loss Contribution to Volatility	44.07%	57.97%
Maximum Drawdown	-14.07%	-46.28%
Length / Time to Recovery	12 / 7	25 / N/A
% of Negative Months	26.67%	38.33%
Annualized Sharpe Ratio	1.15	0.22
C.F. Value at Risk (95%)	-4.02%	-7.97%
Correlation Coefficient	1.00	0.32

## General Information

Investment Manager	Maverick Capital, Ltd.
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Closed
Benchmark	S&P 500 Composite
Base Currency	USD
Inception date	01/01/1993
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	2,000,000 USD
Additional Investment	1,000,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	The Irish Trust Company
Prime Broker	Various
Custodian	Various
Auditors	Ernst & Young
Legal Advisors	Maples & Calder

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3A  
Alternative  
Investments

# Meditor European Hedge Fund, Ltd.

STYLE: EQUITY HEDGE, Equity Hedge General

SECTOR FOCUS: Multi

REGION FOCUS: Europe, Western Europe

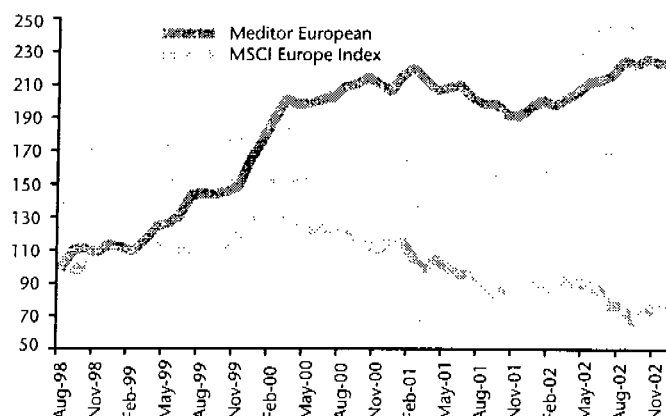
## Price

Data as of 12/31/2002  
NAV per Share 223.92 USD

## Performance

	Fund	Benchmark
Month-to-date	0.40%	-3.70%
Quarter-to-date	0.60%	10.59%
Year-to-date	14.05%	-20.11%
Last 12-months	14.05%	-20.11%
Last year (2001)	-4.59%	-21.23%
Cumulative return since inception	123.92%	-26.45%

## Performance (Life to date)



## Manager Biography Talal Shakerchi

Mr. Talal Shakerchi is the founder and director of Meditor Capital Management Ltd., the investment management company for the Meditor European Hedge Fund, Ltd. Mr. Shakerchi earned his Degree in Computing and Information Systems from Manchester University and holds the Chartered Financial Analyst qualification. He has over twelve years of investment management experience. His career began with the pension fund of British Petroleum where he worked as an investment analyst in the European equity group. In 1991, he joined Old Mutual where he soon became Head of European Equities and for seven years managed the Old Mutual European Unit Trust. Under his management the Trust received several awards as the best performing of all European unit trusts. While at Old Mutual, Mr. Shakerchi also ran a hedge fund for four years. He left Old Mutual in 1998 to establish Meditor with three other investment advisors of the Old Mutual European equity team, all of whom had worked with him for several years.

## Management Philosophy

The Manager believes that European equity markets are inefficient and that price anomalies, especially for mid-cap securities and special situations (restructurings, M&A, spin-offs), offer significant investment opportunities. The Fund adopts a bottom-up and value approach to stock picking based on fundamental analysis of companies that identifies significant mis-pricing in European securities. The fundamental analysis is supported by in-depth financial research and frequent meetings with companies. The Fund invests on a pan-European basis. Short selling is used both for investments in over-valued securities and to balance long positions. The majority of short positions are stock specific and the use of indices is rare. The Fund maintains a disciplined risk monitoring and control system. Considerable attention is placed on the maximum downside risk rather than volatility and correlation which tend to be poor statistical measures for mid-cap stocks and special situations. Leverage is used infrequently and may not exceed three times the net asset value.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	20.45%	-6.84%
Annualized Volatility	12.17%	17.80%
Annualized Gain Volatility	10.42%	9.75%
Annualized Loss Volatility	3.42%	12.08%
Loss Contribution to Volatility	35.13%	53.04%
Maximum Drawdown	-13.19%	-48.59%
Length / Time to Recovery	9 / 9	33 / N/A
% of Negative Months	30.77%	53.85%
Annualized Sharpe Ratio	1.20	-0.58
C.F. Value at Risk (95%)	-3.29%	-8.10%
Correlation Coefficient	1.00	0.13

## General Information

Investment Manager	Meditor Capital Mgmt. Ltd.
Domicile	Offshore, Bermuda
Fund Type	Open-ended
Fund Status	Closed
Benchmark	MSCI Europe Index
Base Currency	EUR
Inception date	09/01/1998
Management Fee	1.20%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	The Bank of Bermuda Ltd.
Prime Broker	The Bank of Bermuda Ltd.
Custodian	The Bank of Bermuda Ltd.
Auditors	Ernst & Young
Legal Advisors	Conyers Dill & Pearman

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# Milton Leveraged Arbitrage Fund, Ltd.

STYLE: ARBITRAGE, Merger Arbitrage

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

## Price

Data as of 12/31/2002  
NAV per Share 110.81 USD

## Performance

	Fund	Benchmark
Month-to-date	0.36%	-6.03%
Quarter-to-date	-0.96%	7.92%
Year-to-date	1.08%	-23.37%
Last 12-months	1.08%	-23.37%
Last year (2001)	6.00%	-13.04%
Cumulative return since inception	10.85%	-38.75%

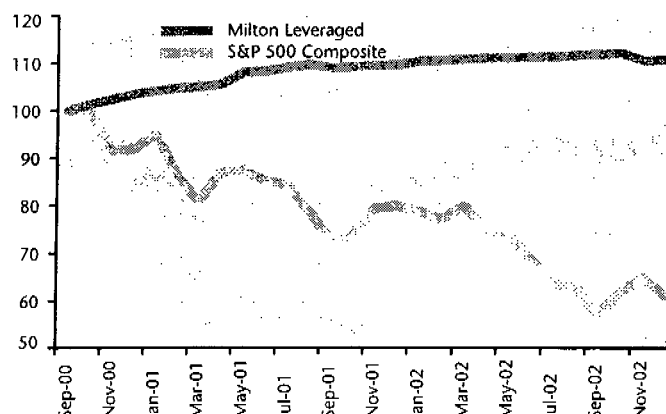
## MANAGER BIOGRAPHY James E. Buck II

James E. Buck II is the Managing Partner of Milton Arbitrage Partners, and is responsible for overseeing and developing the investment portfolios for the partnership. Mr. Buck joined the Fund Manager at the inception of the on-shore fund (1989) as a research associate and he subsequently became primarily responsible for all portfolio trading. During his tenure, he also has managed the research group as well as the day-to-day operations of the partnership. Mr. Buck was named to the general partnership in 1996.

## MANAGEMENT PHILOSOPHY

The fund seeks superior risk adjusted return through event driven investing. Long and short positions are initiated in companies involved in mergers, takeovers and reorganizations in an effort to generate returns not correlated with those of market indices. The factors that comprise the risk component of the arbitrage are, among others, strategic rationale of the event, securities valuation, timing, financing, and regulatory conditions. Typically, the Fund invests in announced US deals or deals that have a US component. This program is a leveraged version of Milton Arbitrage Fund, Ltd. However, the usual leverage is kept low to around 150%.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	4.67%	-19.58%
Annualized Volatility	2.32%	19.25%
Annualized Gain Volatility	1.81%	11.09%
Annualized Loss Volatility	1.88%	11.67%
Loss Contribution to Volatility	40.46%	48.10%
Maximum Drawdown	-1.49%	-43.25%
Length / Time to Recovery	1/ N/A	24 / N/A
% of Negative Months	7.41%	59.26%
Annualized Sharpe Ratio	-0.13	-1.28
C.F. Value at Risk (95%)	-0.73%	-7.97%
Correlation Coefficient	1.00	0.00

## General Information

Investment Manager	Milton Arbitrage Partners, LLC
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	S&P 500 Composite
Base Currency	USD
Inception date	09/15/2000
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	10 days
Administrator	Hemisphere Fund Mgrs. Ltd.
Prime Broker	Morgan Stanley & Co.
Custodian	Various
Auditors	PricewaterhouseCoopers
Legal Advisors	Truman Bodden & Co.

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# Moore Global Fixed Income Fund Ltd.

STYLE: GLOBAL MACRO

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

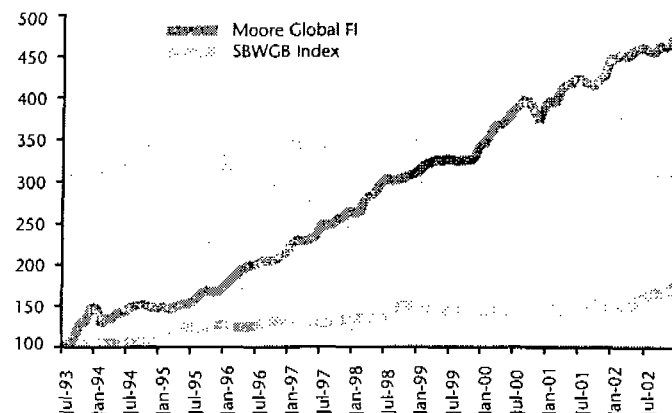
## Price

Data as of 12/31/2002  
NAV per Share 4,774.00 USD

## Performance

	Fund	Benchmark
Month-to-date	2.85%	5.03%
Quarter-to-date	3.61%	4.73%
Year-to-date	7.25%	19.49%
Last 12-months	7.25%	19.49%
Last year (2001)	15.20%	-0.99%
Cumulative return since inception	380.10%	74.90%

## Performance (Life to date)



## Manager Biography Louis Moore Bacon

Mr. Bacon received a B.A. from Middlebury College and an M.B.A. in Finance from Columbia Business School, before beginning his capital markets career in 1978, first as a specialist's clerk on the floor of the New York Stock Exchange, then as a phone clerk on the floor of the New York Cotton Exchange and the New York Coffee, Sugar and Cocoa Exchange. His training continued at Bankers Trust in foreign exchange and government securities, and then at Lewis & Peat Futures Inc. where he traded currencies and currency futures, primarily on an arbitrage basis. He then managed proprietary risk capital in financial and currency futures markets for the New York Stock Exchange specialist Walter N. Franck & Co. until 1983 when he joined Shearson Lehman Brothers as a Senior Vice-President-Futures. He held this position until he left to found Moore Capital Management in 1989.

## Management Philosophy

The Moore Fixed Income Fund is in the business of attempting to achieve the highest return on capital consistent with the principle designed to minimize risk of capital loss through investments and transactions, both long and short, across global markets, including foreign exchange, government and corporate debt securities, interest rate instruments, equity securities, stock indices, precious metals and traditional and base industrial commodities through trading in the spot, forward, futures, options and swap markets. The manager bases his investment decisions on a combination of its analysis of fundamental economic, financial and political events, the analysis of the markets themselves and the potential risk and reward of a market position.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	18.13%	6.12%
Annualized Volatility	10.19%	6.27%
Annualized Gain Volatility	8.28%	4.71%
Annualized Loss Volatility	9.13%	3.20%
Loss Contribution to Volatility	43.13%	43.55%
Maximum Drawdown	-14.47%	-7.94%
Length / Time to Recovery	1 / 6	22 / 12
% of Negative Months	25.66%	43.36%
Annualized Sharpe Ratio	1.22	0.20
C.F. Value at Risk (95%)	-3.98%	-2.43%
Correlation Coefficient	1.00	-0.09

## General Information

Investment Manager	Moore Capital Mgmt., Inc.
Domicile	Offshore, British Virgin Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	SBWGB Index
Base Currency	USD
Inception date	08/01/1993
Management Fee	3.00%
Performance/Incentive Fee	25.00%
Subscription periodicity	Quarterly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	Citco Bank and Trust Co. Ltd.
Prime Broker	GS, JPM, Lehman, Refco
Custodian	GS, JPM, Lehman, Refco
Auditors	Ernst & Young
Legal Advisors	Willkie Farr & Gallagher

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# Pharo Arbitrage Fund, Ltd.

STYLE: ARBITRAGE, Fixed Income Arbitrage

SECTOR FOCUS: Multi

REGION FOCUS: Emerging Markets  
Latin America & Mexico Emerging

## Price

Data as of 12/31/2002  
NAV per Share 1,441.24 USD

## Performance

	Fund	Benchmark
Month-to-date	1.69%	5.03%
Quarter-to-date	4.67%	4.73%
Year-to-date	12.18%	19.49%
Last 12-months	12.18%	19.49%
Last year (2001)	25.59%	-0.99%
Cumulative return since inception	44.13%	22.55%

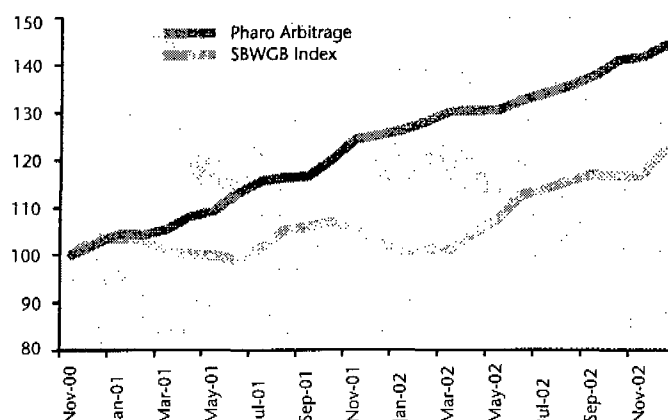
**Manager Biography** Guillaume Fonkenell and Daren Schroeder Prior to founding Pharo Management in 2000, Guillaume Fonkenell was a Managing Director at Merrill Lynch in New York. During his four year tenure at Merrill Lynch, he initiated and successfully managed the Latin American Local Markets Trading Group and the Global Credit Derivatives Group. Prior to joining Merrill Lynch, Mr. Fonkenell was a Vice President at Bankers Trust in New York, where he traded interest rate swaps and options for four years. Mr. Fonkenell holds Masters Degrees in both Civil Engineering and International Business from Ecole Nationale des Ponts-et-Chaussées in Paris. Darren Schroeder joined Pharo Management as a principal in September 2000. He has been involved in trading the emerging markets for the past seven years. He was the first member of Mr. Fonkenell's team at Merrill Lynch. In 1998, Mr. Schroeder moved to Morgan Stanley as a Principal where he continued to focus on Latin American currency and interest rate trading and gained experience in the Non-Japan Asian markets. He holds an MBA in Finance from The Wharton School.

## Management Philosophy

Pharo's approach consists of trading risk components, as opposed to individual instruments in emerging markets. Using quantitative models, the manager breaks up financial instruments such as bonds or derivatives into several "unbreakable" risk components (e.g. credit, currency, and interest rate). The manager then analyzes, measures, and looks for opportunities to trade these embedded risk components one against another. Stocks, bonds, futures or forwards are trading instruments that the manager uses to generate these isolated risk positions.

By considering risk as the raw material, as opposed to individual instruments, the manager is able to identify situations where two securities carrying the same fundamental risk are valued differently. Pharo goes beyond traditional credit markets by trading and arbitraging the whole range of local fixed-income, currency and credit instruments.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	19.18%	10.25%
Annualized Volatility	4.40%	7.57%
Annualized Gain Volatility	3.67%	5.69%
Annualized Loss Volatility	3.64%	3.57%
Loss Contribution to Volatility	33.69%	42.92%
Maximum Drawdown	-1.71%	-5.93%
Length / Time to Recovery	1 / 2	3 / 4
% of Negative Months	8%	44.00%
Annualized Sharpe Ratio	2.93	0.69
C.F. Value at Risk (95%)	-0.83%	-2.43%
Correlation Coefficient	1.00	-0.14

## General Information

Investment Manager	Pharo Management LLC
Domicile	Offshore, Cayman Islands
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	12/01/2000
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	50,000 USD
Lock-up Period	None
Notice Period	60 days
Administrator	Citico Fund Services (Curaçao)
Prime Broker	CSFB, New York
Custodian	CSFB, New York
Auditors	Deloitte & Touche
Legal Advisors	Wolf, Block, Schorr & Co LLP

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# Roy G. Niederhoffer Fund (Ireland) Plc

STYLE: CTA, CTA General

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of	12/31/2002
NAV per Share	212.30 USD

## Performance

	Fund	Benchmark
Month-to-date	-1.80%	-4.95%
Quarter-to-date	-8.20%	7.32%
Year-to-date	21.14%	-21.06%
Last 12-months	21.14%	-21.06%
Last year (2001)	8.26%	-17.83%
Cumulative return since inception	31.47%	-35.75%

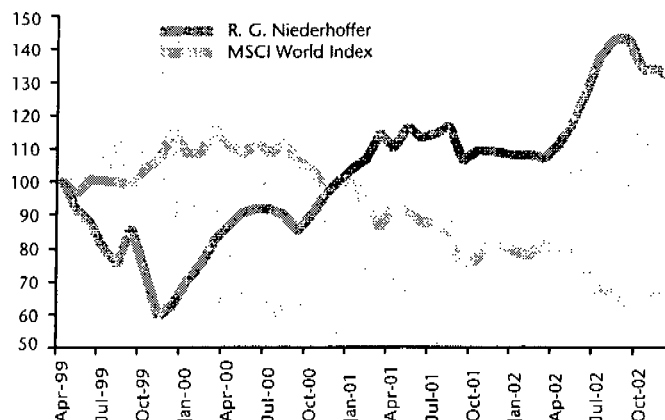
## Manager Biography Roy G. Niederhoffer

Mr. Niederhoffer is president of R.G. Niederhoffer Capital Management, Inc. He began his career in 1987 at Niederhoffer Investments, Inc., a commodity trading advisor, where he designed, developed and implemented computerized trading, research, portfolio management and back office systems, and traded proprietary money in the cash and futures markets. He remained with Niederhoffer Investments, Inc. until 1993 when he left to found R.G. Niederhoffer Capital Management, Inc. Mr. Niederhoffer received a BA in Computational Neuroscience, magna cum laude, from Harvard University.

## Management Philosophy

The manager employs a quantitative, primarily contrarian, short term absolute strategy that is designed to succeed best during volatile markets rather than directional markets. Seeking to capture changes in the psychology of financial markets participants through insights from neuroscience, the manager takes advantage of the innate human tendency to behave in a « herd-like » manner during times of high emotion and fear and utilizes quantitative techniques and proprietary software to identify periods when markets are likely to move in a particular direction. The fund trades in highly liquid global equity, fixed income, foreign exchange and natural resource markets. Very little, if any, leverage is used. The fund exhibits low correlation to all types of hedge funds, funds of funds, and equity indices. In addition to contra-trend strategies (60%), the manager also employs short term intra-day (20%) and longer term momentum strategies (20%). During extreme situations, some discretion may be exercised.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	7.75%	-11.37%
Annualized Volatility	23.32%	16.85%
Annualized Gain Volatility	12.40%	8.87%
Annualized Loss Volatility	18.30%	10.33%
Loss Contribution to Volatility	59.34%	49.34%
Maximum Drawdown	-40.56%	-48.45%
Length / Time to Recovery	7 / 13	30 / N/A
% of Negative Months	38.64%	59.09%
Annualized Sharpe Ratio	0.23	-0.92
C.F. Value at Risk (95%)	-11.92%	-7.31%
Correlation Coefficient	1.00	-0.21

## General Information

Investment Manager	R.G. Niederhoffer Cap. Mgmt.
Domicile	Offshore, Ireland
Fund Type	Open-ended
Fund Status	Open
Benchmark	MSCI World Index
Base Currency	USD
Inception date	09/01/1995
Management Fee	1.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	15 days
Administrator	MeesPierson Fund Services Ltd.
Prime Broker	MPIerson Investors Svcs. Ltd.
Custodian	MPIerson Investors Svcs. Ltd.
Auditors	PriceWaterhouseCoopers
Legal Advisors	Matheson Ormbsy Prentice

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# Ram Capital Investment

STYLE: ARBITRAGE, Arbitrage General

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

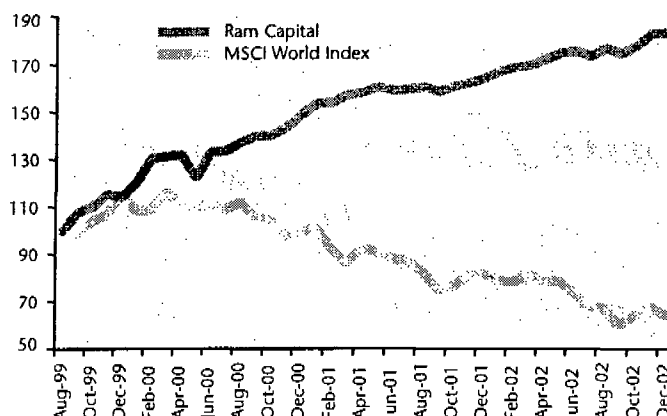
## Price

Data as of	12/31/2002
NAV per Share	184.00 USD

## Performance

	Fund	Benchmark
Month-to-date	0.69%	-4.95%
Quarter-to-date	5.51%	7.32%
Year-to-date	12.05%	-21.06%
Last 12-months	12.05%	-21.06%
Last year (2001)	10.39%	-17.83%
Cumulative return since inception	84.21%	-35.71%

## Performance (Life to date)



## Manager Biography Thane Ritchie

Thane Ritchie is the CEO and the CIO of Ritchie Capital Mgmt., LLC, which he founded in 1998. Mr. Ritchie leads RCM's trading strategy team and is responsible for risk management. From 1994 through 1998, Mr. Ritchie was President and Head Trader of Ritchie Capital Markets, LLC., which was widely respected as a premier trading group at the Chicago Board of Trade. Prior to 1994, Mr. Ritchie traded for Chicago Research & Trading Group, Ltd. He attended Duke University and Wheaton College.

## Management Philosophy

The Fund seeks to achieve maximum total return for its shareholders primarily through the capital appreciation of its investments. To achieve its objective, the Fund has conferred on the Investment Manager maximum flexibility to exploit a virtually unlimited range of investment opportunities as they arise. The Fund is permitted to utilize a wide variety of investment strategies and to invest in a wide range of asset classes, including without limitation, stocks, bonds, derivatives, options, warrants and other investment derivatives. Primary strategies utilized are convertible arbitrage, options arbitrage, statistical arbitrage and merger arbitrage. The capital allocation is driven by the combination of top down and bottom up approaches.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	19.94%	-12.41%
Annualized Volatility	9.93%	17.35%
Annualized Gain Volatility	8.13%	9.13%
Annualized Loss Volatility	9.19%	10.19%
Loss Contribution to Volatility	38.42%	48.85%
Maximum Drawdown	-7.67%	-48.45%
Length / Time to Recovery	1 / 1	30 / N/A
% of Negative Months	15.00%	57.50%
Annualized Sharpe Ratio	1.40	-0.96
C.F. Value at Risk (95%)	-3.18%	-7.31%
Correlation Coefficient	1.00	0.23

## General Information

Investment Manager	Ritchie Capital Mgmt., LLC
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	MSCI World Index
Base Currency	USD
Inception date	09/01/1999
Management Fee	0.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	45 days
Administrator	Caledonian Bank & Trust, Ltd.
Prime Broker	Bear Stearns Securities Corp.
Custodian	Goldman Sachs & Co.
Auditors	Arthur Andersen LLP
Legal Advisors	Katten Muchin Zavis

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# RedSky Horizon Fund, Ltd.

STYLE: EQUITY HEDGE, Market Neutral

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

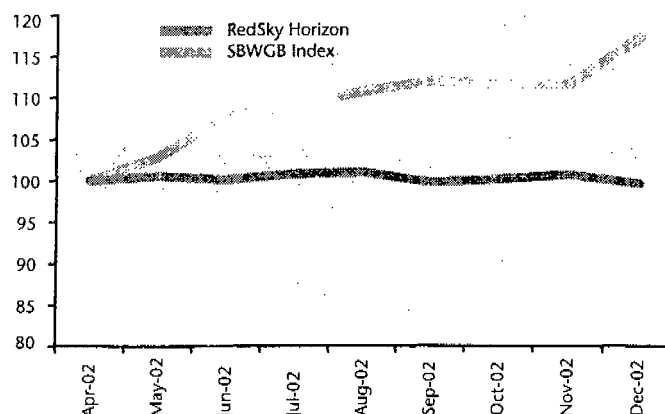
## Price

Data as of	12/31/2002
NAV per Share	104.26 USD

## Performance

	Fund	Benchmark
Month-to-date	-1.14%	5.03%
Quarter-to-date	-0.17%	4.73%
Year-to-date	-0.42%	17.26%
Last 12-months	-0.42%	17.26%
Last year (2001)	N/A	N/A
Cumulative return since inception	-0.42%	17.26%

## Performance (Life to date)



## Manager Biography

**Gregg Groechel**  
Before teaming with Mr. Miller to found RedSky Partners, Mr. Groechel was a Senior Portfolio Manager at American Express Asset Management, where he and Mr. Miller developed and managed Advisory U.S. Equity Fund I and Advisory U.S. Equity Market Neutral Fund and their offshore equivalents. Gregg joined American Express Financial Corporation in 1988 and served in fundamental research, derivative research and portfolio management positions followed by the role as co-manager with Bill Miller on the equity hedge fund strategies. He received a CFA designation in 1993, and earned a BS in finance and marketing and an MBA from the University of Minnesota. Gregg has 15 years of investment experience.

## Management Philosophy

Seeks to achieve consistent capital appreciation while producing returns indifferent to equity market movements with a volatility of returns below that of the equity market. The market neutral strategy will generally maintain gross exposure between 100-200% and net exposure on a delta adjusted basis approaching zero. We generally will maintain 40-80 positions on the long side and 40-80 positions on the short side of the portfolio. The portfolio attempts to capture stock alpha while controlling market, sector, beta, capitalization and style exposures. Importantly, the managers seek to capture desirable risks and control undesirable risks.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	-0.62%	26.97%
Annualized Volatility	2.71%	7.06%
Annualized Gain Volatility	0.60%	6.68%
Annualized Loss Volatility	1.55%	N/A
Loss Contribution to Volatility	64.28%	20.42%
Maximum Drawdown	-1.41%	-0.41%
Length / Time to Recovery	4 / N/A	1 / 2
% of Negative Months	37.50%	12.50%
Annualized Sharpe Ratio	-2.02	2.75
C.F. Value at Risk (95%)	-1.80%	-2.43%
Correlation Coefficient	1.00	-0.52

## General Information

Investment Manager	RedSky Partners, LLC
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	05/01/2002
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	5,000,000 USD
Additional Investment	250,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	Intl. Fund Svcs. (Ir.) Ltd.
Prime Broker	Morgan St. and UBS W. LLC
Custodian	Morgan St. and UBS W. LLC
Auditors	Ernst & Young
Legal Advisors	Gardner, Carton & Douglas

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# Rotella Polaris Fund, Ltd.

STYLE: CTA, Trend Follower

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of 12/31/2002  
NAV per Share 186.63 USD

## Performance

	Fund	Benchmark
Month-to-date	10.58%	-6.03%
Quarter-to-date	5.72%	7.92%
Year-to-date	20.86%	-23.37%
Last 12-months	20.86%	-23.37%
Last year (2001)	15.38%	-13.04%
Cumulative return since inception	105.55%	-9.34%

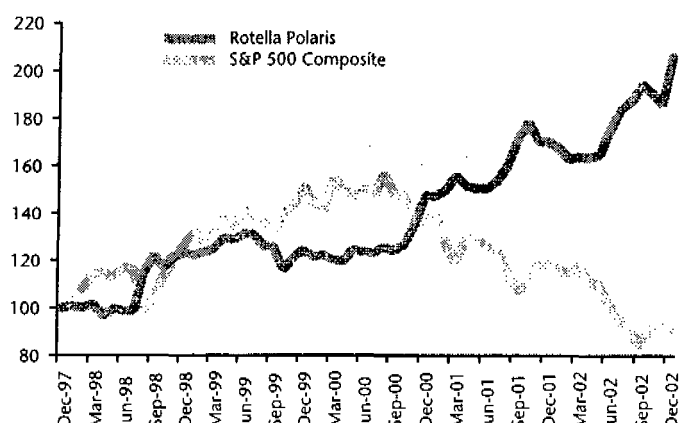
## Manager Biography Robert Rotella

Born in 1956, Robert Rotella graduated from Rensselaer Polytechnic Institute with a BS in Chemical Engineering in 1978 and received an MBA in Finance from Temple University in 1980. In 1983, Mr Rotella joined Investor Company, private market-making firm on the American Stock Exchange, trading stocks and options for the firm till 1984. From 1985 to March 1989, he was a member of the New York Stock Exchange and traded global futures and options for his own account. In 1993, Mr. Rotella became a senior trader of Commodity Corp. One year later, he was sent to Singapore to work as senior trader for Orix Corporation and to oversee a new trading talent development program. That year, Robert Rotella earned a trader profile in Futures Magazine, and also a "Top 10 CTA's in 1994" designation. In April 1996, he formed Rotella Capital Management.

## Management Philosophy

The Rotella Polaris Fund Ltd. aims to achieve high standards of capital appreciation (15%-25% annual return) while maintaining prudent risk levels. The strategy is trend following in nature and is limited to futures, forward and spot foreign exchange markets. The reduction of the inherent drawdown exposure attached to all trend following systems is obtained by a high degree of both diversification and flexibility with a very cautious money/risk management overlay. The strategy is a blend of 11 trend following models targeting different market patterns and time frames. Moreover, the level of diversification is magnified by trading a variety of 70 very liquid markets on more than 15 exchanges and across four asset classes. The flexibility of the fund results from an original mix between quantitative models and a qualitative approach. While the same systematic strategies are applied across all markets, Mr. Rotella discretionarily adjusts the size of the investment in a particular market and the portfolio overall diversification.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	15.50%	-1.94%
Annualized Volatility	13.71%	18.89%
Annualized Gain Volatility	11.82%	9.27%
Annualized Loss Volatility	6.50%	12.01%
Loss Contribution to Volatility	37.26%	54.02%
Maximum Drawdown	-11.86%	-46.28%
Length / Time to Recovery	4 / 13	25 / N/A
% of Negative Months	45.00%	50.00%
Annualized Sharpe Ratio	0.77	-0.27
C.F. Value at Risk (95%)	-4.12%	-7.97%
Correlation Coefficient	1.00	-0.51

## General Information

Investment Manager	Rotella Capital Mgmt., Inc.
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	S&P 500 Composite
Base Currency	USD
Inception date	01/31/1998
Management Fee	2.00%
Performance/Incentive Fee	22.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	10 days
Administrator	Fortis Fund Svcs. (Du.) Ltd.
Prime Broker	Carr Futures, E.D. & F. Man
Custodian	Carr Futures, E.D. & F. Man
Auditors	Arthur Andersen, LLP
Legal Advisors	Walkers

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# Rubicon Global Fund

STYLE: Global Macro

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

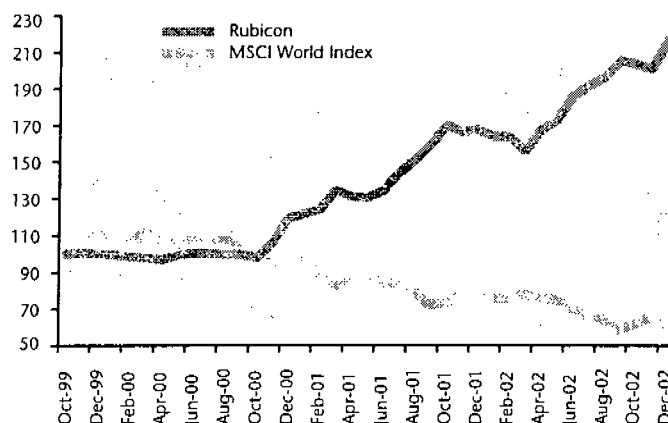
## Price

Data as of	12/31/2002
NAV per Share	201.61 USD

## Performance

	Fund	Benchmark
Month-to-date	7.80%	-4.95%
Quarter-to-date	5.40%	7.32%
Year-to-date	29.00%	-21.06%
Last 12-months	29.00%	-21.06%
Last year (2001)	40.79%	-17.83%
Cumulative return since inception	116.48%	-38.15%

## Performance (Life to date)



## Manager Biography Paul Brewer

Paul Brewer (Chief Investment Officer and Portfolio Manager) joined Salomon Brothers in 1986 having formerly held senior positions at CSFB and Bank of America. He initially worked in fixed income at Salomon Brothers before specializing in Foreign Exchange in 1988. He assumed responsibility for the London Foreign Exchange operation in 1991 and was promoted to Managing Director in 1992. Mr. Brewer's primary responsibilities were trading and risk management. During the ensuing four years, the scale, profitability, and diversification of the business grew consistently, characterized by strong trading performances in derivatives and Emerging Market debt and currency instruments. During the last five years he was asked to assume additional roles in the running of the firm and served on the Global Fixed Income Committee and the European Management Committee of the Investment Bank. Mr. Brewer was educated at Chatham House Grammar school and University of London where he received a Bachelor of Science Honours degree in Physiology.

## Management Philosophy

The investment objective of the Fund is to seek to achieve superior returns by investing in global fixed income, currency and equity markets, and their related derivatives. The Manager believes that investment opportunities are often created by imbalances in the global markets. They may be due to structural and regulatory constraints, conflicts between political priorities and economic realities or simply, the business cycle. The manager will seek to exploit these conditions by applying directional and relative value strategies. Furthermore, these opportunities will be identified through an in-depth analysis of macro-economic variables and global capital flows. The primary investment focus is on global currency and fixed income markets. Short-term tactical positions may be added to the portfolio to give incremental return and diversity. Implementation of investment strategies will be done through a range of instruments including derivatives and leverage will be used where appropriate. Risk management will combine VaR analysis with forward-looking scenario analysis consistent with the long-term investment objectives of the fund.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	27.62%	-14.08%
Annualized Volatility	13.60%	17.47%
Annualized Gain Volatility	11.03%	9.35%
Annualized Loss Volatility	4.16%	10.08%
Loss Contribution to Volatility	37.44%	48.16%
Maximum Drawdown	-8.51%	-48.45%
Length / Time to Recovery	5 / 2	30 / N/A
% of Negative Months	44.74%	57.89%
Annualized Sharpe Ratio	1.52	-1.06
C.F. Value at Risk (95%)	-3.60%	-7.31%
Correlation Coefficient	1.00	-0.46

## General Information

Investment Manager	Rubicon Asset Management
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Closed
Benchmark	MSCI World Index
Base Currency	USD
Inception date	11/01/1999
Management Fee	2.00%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	500,000 USD
Additional Investment	100,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	CIBC Bank & Trust Co.(Cay) Ltd.
Prime Broker	Credit Suisse First Boston Co.
Custodian	Credit Suisse First Boston Co.
Auditors	Ernst & Young
Legal Advisors	Maples & Calder Europe

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# Shepherd Investments International Ltd.

STYLE: ARBITRAGE, Arbitrage General

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of	12/31/2002
NAV per Share	244.79 USD

## Performance

	Fund	Benchmark
Month-to-date	1.52%	-6.03%
Quarter-to-date	4.20%	7.92%
Year-to-date	3.80%	-23.37%
Last 12-months	3.80%	-23.37%
Last year (2001)	12.70%	-13.04%
Cumulative return since inception	150.39%	61.51%

## Manager Biography

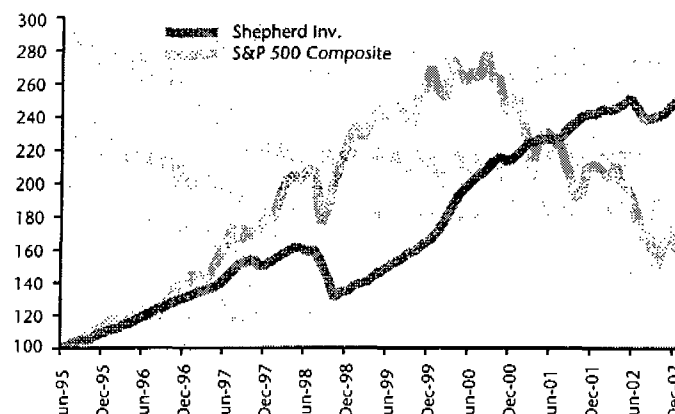
**Brian Stark and Michael Roth**  
 Brian Stark: As a co-general partner of Stark Partners L.P. from 1986 to February 1992, Mr. Stark managed a hedge fund that specialized in convertible hedging in international and domestic markets. The capital under the fund's management approximated USD 200 mn as of February, 1992. Mr. Stark was an investment advisor to AKT Associates LP from 1991 to February 1992, providing investment advice regarding trading, financing and operations to a domestic convertible hedge portfolio. As a general partner of Stark & Stark, Mr. Stark helped manage family investment capital using convertible hedging and arbitrage strategies between 1975 and 1986. Mr. Stark began his career as a lawyer after graduating with honors from Brown University and from Harvard Business School.

**Michael Roth:** Since 1988, Michael Roth has been trading securities in association with Mr. Brian Stark. Mr. Roth has extensive experience in risk arbitrage strategies as well as trading foreign derivatives and currencies. Mr. Roth graduated at the top of his class in economics and political science at the University of Wisconsin – Madison in 1977 and in 1980 from Harvard Law School, also beginning his professional career as a lawyer at Covington and Burling in Washington D.C.

## Management Philosophy

Shepherd Investments International is a multi strategy arbitrage fund specializing in convertible, merger and capital structure arbitrage. The fund may also allocate a small portion of the portfolio to Reg. D investments. Typical asset allocation would include the following weightings: convertible arbitrage 80-90%, merger arbitrage 10-20%, capital structure arbitrage 2-5% and Reg. D securities 2-5%. Average leverage employed is 4-5 times including the notional value of derivatives. The portfolio is highly diversified among around 600 positions as well as between regions and sectors. The fund has historically allocated a large portion of the convert and merger book to Europe and Japan besides the US market. Merger arbitrage investments are typically diversified among 40-50 deals targeting 15-20% annualized return on each deal. Investment process includes thorough credit analysis, research of trading volumes, volatility stock borrowing, as well as the research of available derivatives for credit and volatility hedging.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	13.02%	6.60%
Annualized Volatility	6.54%	17.23%
Annualized Gain Volatility	2.98%	8.73%
Annualized Loss Volatility	9.61%	11.39%
Loss Contribution to Volatility	74.79%	57.32%
Maximum Drawdown	-19.07%	-46.28%
Length / Time to Recovery	5 / 13	25 / N/A
% of Negative Months	12.22%	41.11%
Annualized Sharpe Ratio	1.17	0.17
C.F. Value at Risk (95%)	-3.56%	-7.97%
Correlation Coefficient	1.00	0.06

## General Information

Investment Manager	Stark Investments
Domicile	Offshore, British Virgin Islands
Fund Type	Open-ended
Fund Status	Open
Benchmark	S&P 500 Composite
Base Currency	USD
Inception date	07/01/1995
Management Fee	1.25%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	100,000 USD
Lock-up Period	6 months
Notice Period	90 days
Administrator	SEI Investments-Global Fund Services
Prime Broker	Various
Custodian	Various
Auditors	Arthur Morris & Christensen
Legal Advisors	Schulte Roth & Zabel LLP

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# Standard Pacific Capital Offshore Fund, Ltd.

STYLE: EQUITY HEDGE, Equity Hedge General

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of	12/31/2002
NAV per Share	277.38 USD

## Performance

	Fund	Benchmark
Month-to-date	0.21%	-4.95%
Quarter-to-date	1.09%	7.32%
Year-to-date	1.08%	-21.06%
Last 12-months	1.08%	-21.06%
Last year (2001)	6.58%	-17.83%
Cumulative return since inception	177.27%	12.56%

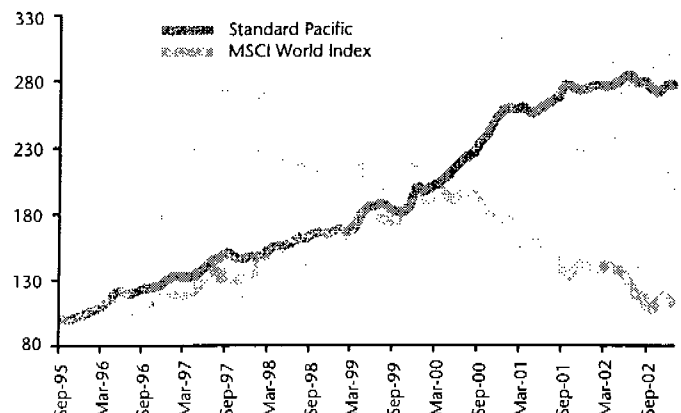
## Manager Biography Andrew Midler

Andrew R. Midler is the founder and general manager of Standard Pacific Capital LLC. Prior to founding Standard Pacific, Mr. Midler was the director of equity portfolio management at CS First Boston. Mr. Midler managed a global equity hedge fund with over USD 100 million of assets as well as traditional long-only accounts, and was responsible for the overall management of the equity operation. Before CSFB, Mr. Midler managed a significant portion of a USD 2.5 billion global hedge at Odyssey Partners. Mr. Midler's investment career began in 1986 at Fidelity Investments as an automobile sector analyst. Beginning in 1988 he assumed the responsibility for managing the Fidelity Convertible Securities Fund, and in 1990 he created the Fidelity Equity Income II Fund and in 1992-1993 he managed the Fidelity Growth and Income Fund. Mr. Midler received his MBA from Harvard Business School and his MA and BA in Political Science from Stanford University.

## Management Philosophy

The fund's objective is capital appreciation through the use of fundamental, bottom up stock selection. The fund seeks on a global basis undervalued companies with improving fundamentals and overvalued companies with deteriorating fundamentals and a catalyst for change. No particular regard is given to index weightings; rather, the portfolio focuses on those situations that the manager believes possess the greatest opportunity for growth, turnaround, or changes in investor perceptions. An interest in a potential investment opportunity will usually be triggered on a 'company specific' or 'micro' level which will then be confirmed or denied by a top-down 'macro' analysis. The portfolio is based on stock selection and not on market timing and will consistently hold both long and short equity positions. The fund's maximum exposure to emerging markets is 25% and no more than 25% will be allocated to a single sector.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	15.11%	1.65%
Annualized Volatility	6.67%	15.77%
Annualized Gain Volatility	5.13%	7.92%
Annualized Loss Volatility	2.72%	11.16%
Loss Contribution to Volatility	42.76%	58.13%
Maximum Drawdown	-4.90%	-48.45%
Length / Time to Recovery	4/ N/A	30/ N/A
% of Negative Months	26.44%	42.53%
Annualized Sharpe Ratio	1.42	-0.13
C.F. Value at Risk (95%)	-1.73%	-7.31%
Correlation Coefficient	1.00	0.20

## General Information

Investment Manager	Standard Pacific Capital, LLC
Domicile	Offshore, British Virgin Islands
Fund Type	Open-ended
Fund Status	Closed
Benchmark	MSCI World Index
Base Currency	USD
Inception date	10/01/1995
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	250,000 USD
Additional Investment	No Minimum
Lock-up Period	None
Notice Period	30 days
Administrator	MeesPierson Trust N.V.
Prime Broker	Morgan Stanley & Co., Inc.
Custodian	Morgan Stanley & Co., Inc.
Auditors	Arthur Andersen
Legal Advisors	Harney, Westwood & Riegels

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# Thema Hedged US Equity Fund

STYLE: ARBITRAGE, Equity Arbitrage

SECTOR FOCUS: Multi

REGION FOCUS: North America, USA

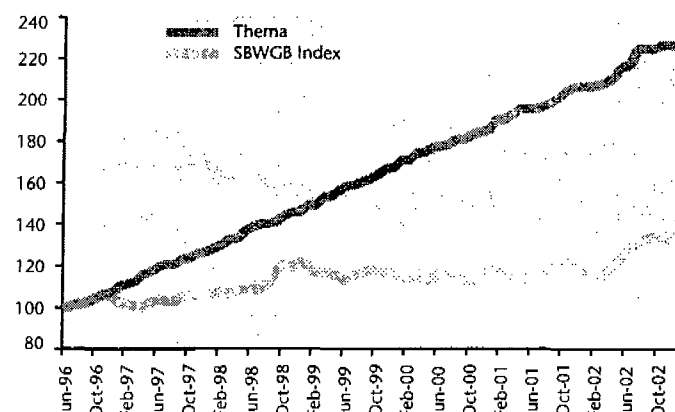
## Price

Data as of 12/31/2002  
NAV per Share 226.05 USD

## Performance

	Fund	Benchmark
Month-to-date	-0.07%	5.03%
Quarter-to-date	0.70%	4.73%
Year-to-date	9.69%	19.49%
Last 12-months	9.69%	19.49%
Last year (2001)	11.48%	-0.99%
Cumulative return since inception	126.05%	39.86%

## Performance (Life to date)



**Manager Biography** Mario Benbassat and Alberto Benbassat  
The trading activities of Thema are directed by a highly regarded, long-established U.S. broker-dealer. The portfolio is managed by an experienced team within the organization, based on the «split-strike conversion» options trading strategy.

## Management Philosophy

The fund's investment objective is long term capital appreciation with low volatility. The fund's manager invests exclusively in the United States and utilizes a non-traditional investment strategy that is a variation of traditional «option conversion» strategies. Option Conversion strategies generally consist of the purchase of equity shares, the sale of related call options representing a number of underlying shares equal to the number of shares purchased, and the purchase of related put options representing the same number of underlying shares.

The strategy utilized by the investment manager is «split-strike conversion» and entails the following:

- I. The purchase of a basket of large-capitalization S&P 100 Index stocks (i.e. American Express, Boeing, Citicorp, Coca Cola, Du Pont, Exxon, General Motors, IBM, Merck), which together account for the greatest weight of the Index and, when combined, present a high degree of correlation with the general market.
- II. The sale of out-of-the-money S&P 100 Index call options representing a dollar amount of the underlying Index equivalent to the dollar amount of the basket of shares purchased.
- III. The purchase of out-of-the-money or at-the-money S&P 100 Index put options for the same dollar amount.

The strategy aims to limit losses when stock prices decline while affording upside potential that is capped to the strike price of the short call when stock prices rise. The long put/short call position constitutes a «synthetic» short of the market, which provides a hedge against the long stock positions. Proprietary systems continuously optimize the basket of stocks to replicate the performance of the overall market at low cost. Put and call option positions are actively managed as strike prices and maturities are adjusted in response to relative valuations and general market movements.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	13.37%	5.30%
Annualized Volatility	3.12%	6.60%
Annualized Gain Volatility	2.99%	4.78%
Annualized Loss Volatility	0.16%	3.22%
Loss Contribution to Volatility	13.24%	43.50%
Maximum Drawdown	-0.18%	-7.94%
Length / Time to Recovery	1 / 1	22 / 12
% of Negative Months	7.69%	47.44%
Annualized Sharpe Ratio	2.49	0.08
C.F. Value at Risk (95%)	-0.22%	-2.43%
Correlation Coefficient	1.00	-0.08

## General Information

Investment Manager	Thema Asset Mgmt. Ltd.
Domicile	Offshore, Ireland
Fund Type	Closed-ended
Fund Status	Closed
Benchmark	SBWGB Index
Base Currency	USD
Inception date	07/01/1996
Management Fee	1.50%
Performance/Incentive Fee	0.00%
Subscription periodicity	Bi-monthly
Redemption periodicity	Bi-monthly
Minimum Investment	50,000 USD
Additional Investment	50,000 USD
Lock-up Period	None
Notice Period	7 days
Administrator	Management International Ltd.
Prime Broker	NCB Stockbrokers Ltd.
Custodian	Bermuda Trust Ltd.
Auditors	Coopers & Lybrand
Legal Advisors	William Fry

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# Theorema Europe Fund, Ltd.

STYLE: EQUITY HEDGE, Equity Hedge General

SECTOR FOCUS: Multi

REGION FOCUS: Western Europe

## Price

Data as of	12/31/2002
NAV per Share	111.47 USD

## Performance

	Fund	Benchmark
Month-to-date	0.01%	-4.95%
Quarter-to-date	1.15%	7.32%
Year-to-date	2.54%	-21.06%
Last 12-months	2.54%	-21.06%
Last year (2001)	7.35%	-10.49%
Cumulative return since inception	10.08%	-29.34%

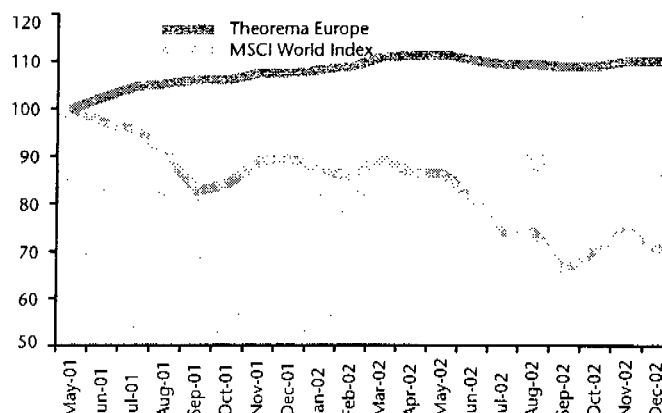
**Manager Biography** Emanuele Antonaci and Giovanni Govi  
Mr. Antonaci began his career at Fidelity Investments as an analyst in telecoms, media, utilities and chemical sectors. He later served as portfolio manager for the following funds: Fidelity Cyclical fund (USD 200 mn), Fidelity Iberia Fund (USD 140mn) and Fidelity Italy fund (USD 200mn), first quartile funds receiving several S&P Micropal awards. In 2000, Mr. Antonaci managed Gabelli European Partners before founding Theorema Asset Management in 2001. He holds an MBA degree from Columbia University.

Mr. Govi began his career in London at Goldman Sachs & Co. as an analyst in European financials and insurance stocks. He then moved to ING Barings in Milan where he concentrated on banks and consumer stocks. In 2000, he managed together with Emanuele Antonaci the Gabelli European Partners fund with a value of EUR 30 mn before founding Theorema Asset Management in 2001. Mr. Govi received his MBA from Columbia University.

## Management Philosophy

The fund seeks capital appreciation by investing in mispriced equity securities of Western Europe. The fund's investment approach is based on "value plus catalyst investing". This approach is based on the extensive use of security analysis to carefully select stocks with the following characteristics: (1) their intrinsic value, based on the Investment Advisor's estimate of current asset value and future growth and earnings power, is significantly different from their value as implied by the public market; and (2) there is a catalyst which will unlock the value of the security. The aim is to replicate the value investing discipline first promoted by Graham and Dodd and then successfully adopted by the managers of the fund in their previous careers. Appraising a business's present status and potential for success will represent the core of the investment approach, drawing on the research experience of the managers. The managers will use the same investing discipline for both purchases and short sales of equities, generally purchasing securities of which the market price is significantly below their assessed valuation and short selling securities of which the market price is significantly above their assessed valuation.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	6.25%	-19.69%
Annualized Volatility	3.19%	17.90%
Annualized Gain Volatility	2.70%	9.67%
Annualized Loss Volatility	1.43%	11.84%
Loss Contribution to Volatility	35.47%	50.13%
Maximum Drawdown	-2.17%	-34.16%
Length / Time to Recovery	4 / N/A	16 / N/A
% of Negative Months	21.05%	63.16%
Annualized Sharpe Ratio	0.39	-1.40
C.F. Value at Risk (95%)	-0.92%	-7.31%
Correlation Coefficient	1.00	0.37

## General Information

Investment Manager	Theorema Advisors Ltd.
Domicile	Offshore, Bouvet Island
Fund Type	Open-ended
Fund Status	Open
Benchmark	MSCI World Index
Base Currency	USD
Inception date	06/01/2001
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	500,000 USD
Additional Investment	50,000 USD
Lock-up Period	None
Notice Period	30 days
Administrator	Goldman Sachs Trust, Ltd.
Prime Broker	Goldman, Sachs International
Custodian	Goldman, Sachs International
Auditors	PricewaterhouseCoopers
Legal Advisors	Tannebaum Helpm

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# Tudor BVI Global Fund, Ltd.

STYLE: Global Macro

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

## Price

Data as of 12/31/2002  
NAV per Share 48,909.20 USD

## Performance

	Fund	Benchmark
Month-to-date	3.37%	-4.95%
Quarter-to-date	7.23%	7.32%
Year-to-date	21.17%	-21.06%
Last 12-months	21.17%	-21.06%
Last year (2001)	22.32%	-17.83%
Cumulative return since inception	4790.92%	135.20%

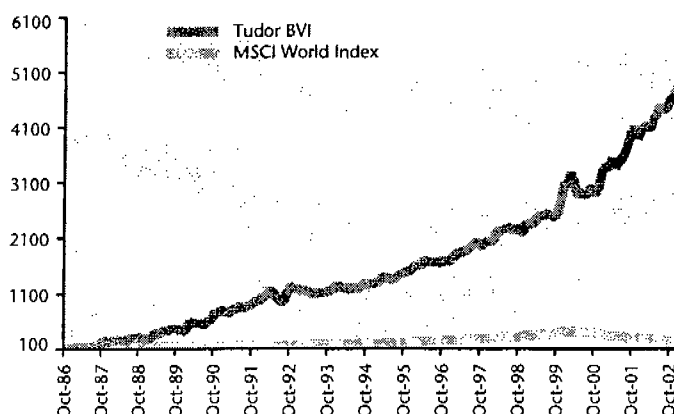
**Manager Biography** Paul Tudor Jones and James J. Palotta  
Mr. Jones is Chairman and Chief Executive Officer, a Director and the controlling principal of Tudor. He is the principal trader for the Fund and identifies and implements trading strategies. He has traded commodities for proprietary accounts since September 1977 and for client accounts since January 1981. Mr. Jones is a member of the Commodity Exchange, Inc., New York Cotton Exchange, the Chicago Board of Trade, and the International Monetary Market Division of the Mercantile Exchange.

Mr. Palotta is Vice President-Equities of Tudor Investment Corp., the Fund's Investment Adviser. Mr. Palotta was previously a principal portfolio manager at Essex Investment Management Company, Inc. He joined Essex in 1983 as a Vice President, became a Senior Vice President and the Director of Research in 1989. Client assets under his management grew from approximately USD 50 million in 1989 to approximately USD 550 million when he left Essex to join Tudor in August 1993. At Tudor, Mr. Palotta has primary responsibility for trading the Raptor account.

## Management Philosophy

The portfolio management activities of Tudor are aimed at taking advantage of investment opportunities worldwide through speculative trading. The Manager combines strategic, long term views with technical, shorter term views utilizing both a top-down approach and a bottom-up approach. The fund utilizes directional, arbitrage, spread trading, basis trading and option volatility strategies as it seeks opportunities in currency, debt, equity, energy, metals and agricultural markets in developed and emerging economies. The fund employs cash, derivative instruments, short selling and leverage. Except for restrictions on certain special situations or direct investments, the fund has no investment restrictions or trading limitations. Position size is a function of volatility and market liquidity. The Manager is assisted by a staff of 275 traders, economists, researchers and market strategists who monitor and evaluate worldwide events and develop trading and hedging strategies based on these events.

## Performance (Life to date)



## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	27.20%	5.43%
Annualized Volatility	23.14%	15.44%
Annualized Gain Volatility	22.99%	8.57%
Annualized Loss Volatility	8.05%	11.16%
Loss Contribution to Volatility	24.48%	56.98%
Maximum Drawdown	-17.07%	-48.45%
Length / Time to Recovery	3 / 3	30 / N/A
% of Negative Months	33.51%	41.24%
Annualized Sharpe Ratio	0.94	0.10
C.F. Value at Risk (95%)	-3.11%	-7.31%
Correlation Coefficient	1.00	-0.25

## General Information

Investment Manager	Tudor Investment Corp.
Domicile	Offshore, Cayman Islands
Fund Type	Open-ended
Fund Status	Closed
Benchmark	MSCI World Index
Base Currency	USD
Inception date	11/01/1986
Management Fee	4.00%
Performance/Incentive Fee	23.00%
Subscription periodicity	Monthly
Redemption periodicity	Monthly
Minimum Investment	1,000,000 USD
Additional Investment	10,000 USD
Lock-up Period	3 months
Notice Period	30 days
Administrator	Citco Fund Svcs. N.V.
Prime Broker	Various
Custodian	Citco (Curaçao) N.V.
Auditors	Ernst & Young
Legal Advisors	Maples and Calder

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# Welch Entrepreneurial Fund, Ltd.

STYLE: EQUITY HEDGE, Growth

SECTOR FOCUS: Multi

REGION FOCUS: Worldwide, Global

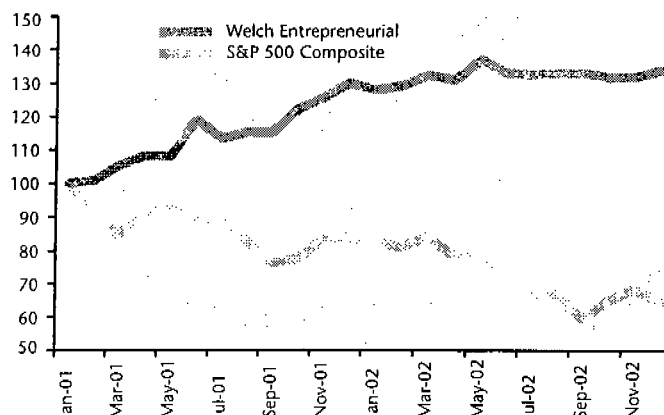
## Price

Data as of 12/31/2002  
NAV per Share 134.13 USD

## Performance

	Fund	Benchmark
Month-to-date	1.55%	-6.03%
Quarter-to-date	0.76%	7.92%
Year-to-date	3.19%	-23.37%
Last 12-months	3.19%	-23.37%
Last year (2001)	29.98%	-15.95%
Cumulative return since inception	34.13%	-35.59%

## Performance (Life to date)



## Manager Biography

**Leighton Welch**  
Leighton Welch (President and Senior Portfolio Manager) founded Welch Capital in July 1996. Previously, he was employed for over 5 years as a PM with Eagle Capital Management. While at Eagle, he managed over USD 120 million in assets while providing expertise in the healthcare, technology, and business services sectors. Prior to joining Eagle, he worked as an associate for Boston Ventures, a firm concentrating on management buyout. He also worked as an Analyst for T.A. Associates, a Boston venture capital firm. Mr Welch holds an BA and an MBA from Harvard University. Christopher Welch joined Welch Capital in 1997 as COO specializing in the telecommunications, data networking, and technology sectors. He previously worked at Bankers Trust Investment Management specializing in International bonds and equities.

## Management Philosophy

The primary strategy is to focus on technology and healthcare/life science and, to a lesser extent energy sectors. Rigorous fundamental research is produced with a total return approach both on the long and short book (Pairs are not meaningful). At the portfolio level, the managers adopt disciplined hedging techniques to reduce risks, protect profits and reduce short term volatility. The targeted net exposure ranges from 0% to 50% on a dollar basis and closer to 0% on a beta-adjusted basis.

Long ideas are often sourced from venture capital and industry contacts to un-cover the best long term growth opportunities not yet discovered by Wall Street. The portfolio will be relatively diversified with typically 50 to 60 long positions weighting between 2% and 6%.

Shorts mainly come from companies that are technical or medical frauds with no real products or technology of value, companies with products that the managers expect to fail or in clinical trials, and valuation short based. The short book will be diversified across 50-60 companies weighting between 1% and 3%.

## Key Statistics

	Fund	Benchmark
Annualized Rate of Return	16.55%	-20.51%
Annualized Volatility	10.84%	19.97%
Annualized Gain Volatility	9.25%	11.64%
Annualized Loss Volatility	5.69%	11.34%
Loss Contribution to Volatility	38.05%	45.91%
Maximum Drawdown	-4.77%	-40.32%
Length / Time to Recovery	1 / 3	20 / N/A
% of Negative Months	34.78%	60.87%
Annualized Sharpe Ratio	1.02	-1.29
C.F. Value at Risk (95%)	-3.21%	-7.97%
Correlation Coefficient	1.00	0.15

## General Information

Investment Manager	Welch Capital Partners, LLC
Domicile	Offshore, Bermuda
Fund Type	Open-ended
Fund Status	Open
Benchmark	S&P 500 Composite
Base Currency	USD
Inception date	01/01/2001
Management Fee	1.50%
Performance/Incentive Fee	20.00%
Subscription periodicity	Monthly
Redemption periodicity	Quarterly
Minimum Investment	1,000,000 USD
Additional Investment	No minimum
Lock-up Period	12 months
Notice Period	30 days
Administrator	Forum Fund Svcs., Ltd.
Prime Broker	Morgan Stanley & Co., Inc.
Custodian	Morgan Stanley & Co., Inc.
Auditors	Goldstein Golub Kessler LLP
Legal Advisors	Gardner, Carton & Douglas

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