FMG MIDDLE EAST NORTH AFRICA (MENA) FUND LTD.

Financial Statements
(With Auditors' Report Thereon)

March 31, 2009 and 2008

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

Telephone (441) 295-5063
Fax (441) 295-9132
Internet www.kpmg.bm

AUDITORS' REPORT

To the Directors and Shareholders of
FMG Middle East North Africa (MENA) Fund Ltd.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of FMG Middle East North Africa (MENA) Fund Ltd. as at March 31, 2009, and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMG Middle East North Africa (MENA) Fund Ltd. as at March 31, 2009, and the results of its operations and changes in its net assets for the year then ended in conformity with accounting principles generally accepted in Bermuda and Canada.

KPMG

Chartered Accountants
Hamilton, Bermuda
August 12, 2009

FMG MIDDLE EAST NORTH AFRICA (MENA) FUND LTD.

Statement of Assets and Liabilities

March 31, 2009
(Expressed in United States Dollars)

		2009		2008
Assets				
Investments in other investment companies and managed accounts (cost - $23,789,233; 2008 - $53,024,657) (Notes 7, 9 and 10) (see Schedule of Investments) (Note 7)	$	20,070,346	$	60,737,328
Cash and cash equivalents		3,072,009		6,295,928
Unrealized gain on forward foreign exchange contracts (Note 10)		370,929		732,466
Investments paid in advance		-		3,200,000
Receivable for investments sold		106,415		517,092
Subscriptions receivable		-		183,501
Dividends receivable		1,508		127,098
Unamortized formation costs		8,831		13,246
Other assets		20,925		2,363
Total assets		23,650,963		71,809,022
Liabilities				
Subscriptions received in advance		-		2,340,217
Redemption payable		489,680		-
Payable for investments purchased		13,032		127,513
Management fees and incentive fees payable (Note 3)		125,177		262,524
Administration fees payable (Note 4)		15,960		35,726
Audit fees payable		18,750		18,250
Accounts payable and accrued expenses (Note 3)		17,259		256,156
Total liabilities		679,858		3,040,386
Net assets		22,971,105		68,768,636
Less: attributable to 100 common shares (Note 6)		(100)		(100)
Net assets attributable to redeemable preference shares (Note 6)	$	22,971,005	$	68,768,536
Net assets attributable to 105,536 (2008 - 106,860) US Dollar Class A redeemable preference shares	$	6,572,342	$	13,623,783
Net asset value per US Dollar Class A redeemable preference share	$	62.27	$	127.49
Net assets attributable to 1,468,650 (2008 - 2,781,194) US Dollar Class B redeemable preference shares	$	9,695,609	$	37,183,420
Net asset value per US Dollar Class B redeemable preference share	$	6.60	$	13.37

See accompanying notes to financial statements

FMG MIDDLE EAST NORTH AFRICA (MENA) FUND LTD.

Statement of Assets and Liabilities (continued)

March 31, 2009
(Expressed in United States Dollars)

		2009		2008
Net assets of $2,623,847 (2008 - $7,228,535) attributable to 35,194 (2008 - 36,549) Euro Class A redeemable preference shares	€	1,974,826	€	4,578,789
Net asset value per Euro Class A redeemable preference share	€	56.11	€	125.28
Net assets of $19,312 (2008 - $nil) attributable to 144 (2008 - nil) Euro Class A09 redeemable preference shares	€	14,535	€	-
Net asset value per Euro Class A09 redeemable preference share	€	100.94	€	-
Net assets of $4,059,895 (2008 - $10,732,798) attributable to 512,422 (2008 - 517,061) Euro Class B redeemable preference shares	€	3,055,769	€	6,798,567
Net asset value per Euro Class B redeemable preference share	€	5.96	€	13.15

See accompanying notes to financial statements

Signed on behalf of the Board

____ Director

____ Director

FMG MIDDLE EAST NORTH AFRICA (MENA) FUND LTD.

Schedule of Investments

March 31, 2009
(Expressed in United States Dollars)

Other Investment Companies	Cost	Fair Value	% of Net Asset	Redemption Frequency
Ajeej MENA Fund	$ 5,122,635	$ 2,348,971	10.23%	Monthly
Babylon Fund Corporation, Class A Series 10	1,000,000	878,836	3.83%	Quarterly
MENA Admiral Fund	3,024,862	3,205,230	13.95%	Monthly
TNI MENA Special Situations Sub-Fund	3,113,071	3,032,978	13.20%	Monthly
Total investments in other investment companies	12,260,568	9,466,015	41.21%	
Investment in Managed Accounts				
JS Investments Limited Managed Account	1,994,438	947,230	4.12%	
Algebra Capital Limited ITP Managed Account	4,930,025	5,281,671	22.99%	
Algebra Capital Limited SSP Managed Account	4,604,202	4,375,430	19.05%	
Total investments in managed accounts	11,528,665	10,604,331	46.16%	
Total investments in other investment companies and managed accounts	$ 23,789,233	$ 20,070,346	87.37%	

As at March 31, 2009, holdings in the managed accounts were comprised as follows:

Long – equities	$ 7,560,141	32.90%
Long – warrants	2,485,235	10.82%
Long – other investment companies	279,944	1.22%
Long – corporate bonds	279,011	1.22%

As at March 31, 2009, one equity security held in Algebra Capital Limited SSP Managed Account, called Prime Industrial Holding, with a fair value of $1,257,220 (2008 - $nil), represented more than 5% of the Fund’s net asset value. No other single equity security held in the managed accounts was individually greater than 5% of the net assets of the Fund.

See accompanying notes to financial statements

FMG MIDDLE EAST NORTH AFRICA (MENA) FUND LTD.

Statement of Operations

Year ended March 31, 2009
(Expressed in United States Dollars)

	2009	2008
Investment income		
Interest income	$ 5	$ 1,101
Dividend income	802,872	877,485
Rebate income	663	1,348
Total income	803,540	879,934
Expenses		
Incentive fees (Note 3)	798,583	1,893,735
Management fees (Note 3)	1,662,768	1,146,702
Administration fees (Note 4)	112,826	88,944
Audit fees	41,018	26,500
Bank charges	35,910	20,201
Custodian fees (Note 5)	95,367	31,730
Directors' and secretarial fees	18,039	12,023
Bermuda company fees	3,151	3,053
Miscellaneous	19,683	15,552
Total expenses	2,787,345	3,238,440
Net investment loss	(1,983,805)	(2,358,506)
Realized and unrealized gains and losses on investments		
Net realized gains and losses on sale of investments	(25,130,131)	5,125,303
Net realized gains and losses on forward foreign exchange contracts	(5,411,628)	1,131,507
Net change in unrealized gains and losses on investments	(11,431,558)	7,415,026
Net change in unrealized gains and losses on forward foreign exchange contracts	(361,537)	691,154
Net realized and unrealized gains and losses on investments	(42,334,854)	14,362,990
Net (decrease) increase in net assets resulting from operations	$ (44,318,659)	$ 12,004,484

See accompanying notes to financial statements

FMG MIDDLE EAST NORTH AFRICA (MENA) FUND LTD.

Statement of Changes in Net Assets

Year ended March 31, 2009
(Expressed in United States Dollars)

	2009	2008
Net (decrease) increase in net assets resulting from operations		
Net investment loss	$ (1,983,805)	$ (2,358,506)
Net realized gains and losses on sale of investments	(25,130,131)	5,125,303
Net realized gains and losses on forward foreign exchange contracts	(5,411,628)	1,131,507
Net change in unrealized gains and losses on investments	(11,431,558)	7,415,026
Net change in unrealized gains and losses on forward foreign exchange contracts	(361,537)	691,154
Net (decrease) increase in net assets resulting from operations	(44,318,659)	12,004,484
Net (decrease) increase in net assets resulting from capital share transactions		
Proceeds from sale of 50,622 (2008 - 72,853) US Dollar Class A redeemable preference shares	6,544,895	8,473,532
Proceeds from sale of 634,819 (2008 - 2,125,135) US Dollar Class B redeemable preference shares	8,879,023	25,288,118
Proceeds from sale of 24,016 (2008 - 29,012) EUR Class A redeemable preference shares	4,445,398	5,068,344
Proceeds from sale of 144 (2008 - nil) EUR Class A 09 redeemable preference shares	18,439	–
Proceeds from sale of 800,649 (2008 - 352,857) EUR Class B redeemable preference shares	15,112,420	5,999,782
Payment on redemption of 51,946 (2008 - 20,832) US Dollar Class A redeemable preference shares	(4,656,798)	(2,510,203)
Payment on redemption of 1,947,363 (2008 - 53,288) US Dollar Class B redeemable preference shares	(20,709,107)	(680,045)
Payment on redemption of 25,371 (2008 - 3,363) EUR Class A redeemable preference shares	(2,640,202)	(503,984)
Payment on redemption of 805,288 (2008 - 25,353) EUR Class B redeemable preference shares	(8,472,940)	(487,140)
Net (decrease) increase in net assets from capital share transactions	(1,478,872)	40,648,404
Net (decrease) increase in net assets attributable to redeemable preference shares	(45,797,531)	52,652,888
Net assets attributable to redeemable preference shares at beginning of year	68,768,536	16,115,648
Net assets attributable to redeemable preference shares at end of year	$ 22,971,005	$ 68,768,536

See accompanying notes to financial statements

1. Operations

FMG Middle East North Africa (MENA) Fund Ltd. was incorporated in Bermuda on February 8, 2006 as an open ended investment fund, empowered by its bye-laws to issue, redeem and reissue its own shares at prices based on their net asset value.

The Fund invests in other investment companies and managed accounts managed by independent investment managers in the Middle East and North Africa region with the objective of earning a return in excess of that earned on the Morgan Stanley Capital International World Index.

2. Significant accounting policies

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

(a) Investment transactions and valuation

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

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

The investment in the equity securities within the managed accounts are accounted for on a trade date basis. The securities within the managed accounts that are traded on a national securities exchange are valued at the last reported bid price on the valuation day. If significant, the interest, dividend income, fees and realized gains and losses arising from the managed account are included in the relevant line items in the Statement of Operations. Similarly, cash, receivables and payables attributable to the managed accounts are included in the Statement of Assets and Liabilities.

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

(b) Forward foreign exchange contracts

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro classes of preference shares to manage the Fund's exposure to changes in the US Dollar/Euro exchange rates. Forward foreign exchange contracts are recorded at fair value at the reporting date. The unrealized gain or loss on open forward foreign exchange contracts on each valuation date is the difference between the contract date exchange rate and the forward exchange rate at the valuation date, as reported by published sources, applied to the face amount of the contract. The unrealized gain or loss at the reporting date is included in the Statement of Assets and Liabilities. Realized and unrealized changes in the fair value of the forward foreign exchange contracts are included in the Statement of Operations in the period in which the change occurs and are attributed entirely to the classes of redeemable preference shares that the forward contracts relate to (see Notes 2(d) and 10).

(c) Middle East and North Africa business environment

The Fund invests in companies that are located in the Middle East and North Africa regions. This region is an emerging market and investments in this market involve risks that do not necessarily exist in more mature developed countries. These markets continue to experience significant political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment.

Such risks include, but are not limited to, the Fund's investments in companies in the region which may prove difficult to sell in times of forced liquidity, risks involved in estimating the valuation of the underlying businesses, potential adverse changes to the legal, regulatory and taxation environments that could adversely affect the underlying businesses, currency fluctuations, change in interest rates, institutional, settlement and custodial risks, and other risks generally associated with investing in immature emerging markets. These financial statements reflect management's assessment of the impact of the region's business environment on the operations and the financial position of the Fund. The future business environment may differ from management's current assessment.

(d) Allocation of profits and losses

The profit or loss of the Fund for each month, excluding realized and unrealized gains and losses on forward foreign exchange contracts used for hedging (Notes 2(b) and 10) before management and incentive fees, is allocated at the end of each month between the US Dollar and Euro classes of redeemable preference shares (Note 6). The amount is allocated in proportion to the relative net assets of each class of redeemable preference shares on the first day of the month after adding subscriptions and deducting redemptions effective that day. All of the realized and unrealized gains and losses on forward foreign exchange contracts used for hedging are allocated to the appropriate class of redeemable preference shares. Management and incentive fees are calculated separately for each class of redeemable preference shares (Note 3).

(e) Foreign currency transactions

Foreign currency investments and balances that are monetary items, predominantly cash, are translated into US dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions are translated at the rate in effect at the date of the transaction. Any realized or unrealized exchange adjustments are included in the related caption in the Statement of Operations.

(f) Statement of cash flows

A statement of cash flows has not been included in these financial statements as the Board of Directors believes the required information is readily apparent from the information presented.

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

(g) Interest income and expense

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

(h) Formation costs

Formation costs are deferred and amortized over a sixty-month period.

(i) Cash and cash equivalents

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

(j) Use of estimates

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

(k) Changes in accounting policies

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

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

Management fees

The Fund pays FMG Fund Managers Limited (the "Manager") a management fee at a rate of 2.0% per annum of the net assets attributable to the Class A and Class A09 redeemable preference shares of the Fund and 1.5% per annum of the net assets attributable to the Class B and Class B09 redeemable preference shares of the Fund, calculated on a monthly basis and payable quarterly. For the year ended March 31, 2009, this management fee was $932,745 (2008 - $664,854), of which $103,809 (2008 - $262,524) was payable at March 31, 2009.

Incentive fees

The Class A and Class A09 redeemable preference shares also incur a quarterly incentive fee equal to 20% of the Net Profits of the Fund, if any, during each calendar quarter (each a "Performance Period") accrued with respect to each Class A and Class A09 redeemable preference share of the Fund. The Net Profits are computed in a manner consistent with the principles applicable to the computation of the net assets of the Fund. If a redeemable preference share has a loss chargeable to it during any Performance Period and during a subsequent Performance Period there is a profit allocable to such a share, there will be no incentive fee payable until the amount of the net loss previously allocated to such redeemable preference share has been recouped. Incentive fees are only paid when the net asset value of the redeemable preference shares increase above a previously established "high water mark" net asset value for those shares.

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

In the event of either a redemption being made at a date other than the end of a Performance Period or the Management Agreement is terminated at any time prior to the last day of a Performance Period, the incentive fee will be computed as though the termination date or Redemption Date, as applicable, was the last day of such Performance Period. Once paid, the incentive fee will be retained by the Manager regardless of the Fund's future results.

The Class B and Class B09 redeemable preference shares also pay to the Manager an incentive fee of 10% of the net profits attributable to the Class B and Class B09 redeemable preference shares calculated monthly and payable quarterly. Net profits are defined as the amount by which cumulative profits attributable to the Class B and Class B09 redeemable preference shares before the incentive fee but after deduction of all transaction costs, management fees and expenses exceeds a hurdle rate equal to the amount that would have been earned in that fiscal period had the assets of the Fund been invested at the USD 12 month LIBOR rate at the beginning of the fiscal period. Net profits include both realized and unrealized gains less losses on investments. If the net profit for a month is negative, it will be carried forward (“carry forward losses). No incentive fee will be payable until the net profits in subsequent month(s) exceed carry forward losses and the hurdle as discussed above, together with any cumulative actual losses incurred in previous fiscal years, adjusted for redemptions. However, the net profit amount, upon which performance fees are calculated, is not offset by actual losses incurred in previous fiscal years at the time the performance fee becomes payable. Once earned, the incentive fee will be retained by the Manager regardless of the Fund’s future results.

For the year ended March 31, 2009, incentive fees was $798,583 (2008 - $1,893,735), of which $45 (2008 - $nil) was payable at March 31, 2009.

The Fund also pays fees to the manager of the managed account. For the year ended March 31, 2009, the Fund incurred management fees of $730,023 (2008 - $481,848), of which $21,323 (2008 - $nil) was payable at March 31, 2009.

Load fees

The Manager may charge load fees of up to 5% of the amount subscribed. When charged these load fees will reduce the amount available to shareholders for the purchase of redeemable preference shares in the Fund. For the year ended March 31, 2009, load fees were $337,467 (2008 - $749,542), of which $2,642 (2008 - $246,359) were included within the accounts payable and accrued expenses.

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

4. **Administration fees**

Apex Fund Services Limited (the “Administrator”) acts as the administrator, registrar and transfer agent for the Fund. For administration services provided, the Fund pays fees at the higher of $2,000 per month for net assets up to $10 million and $3,000 per month for net assets exceeding $10 million, or 15 basis points of the Fund’s average net assets. Effective December 1, 2008, the minimum fee was increased to $3,000 per month for net assets up to $10 million and $4,000 per month for net assets exceeding $10 million. For the year ended March 31, 2009, Administration fees were $112,826 (2008 - $88,944), of which $15,960 (2008 - $35,726) was payable at March 31, 2009.

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

5. **Custodian fees**

HSBC Institutional Trust Services (Bermuda) Limited (the "Custodian") agreed to act as custodian to the Fund. Fees for custody services are charged at the higher of $3,000 per annum or five basis points of the gross asset value of investments held in custody (calculated monthly). In addition, custody transaction fees are chargeable on individual transactions on a sliding scale depending on the market and type of security.

6. **Share capital**

The authorized share capital of the Fund is $11,000, divided into 100 common shares of par value $1 each and 10,900,000 redeemable preference shares (the "Shares"), issued in US dollars and Euro with a par value of $0.001 each. Redeemable preference shares were issued as Class A or Class B shares. Effective March 2, 2009 the existing Class A and Class B shares were closed for new subscriptions. Two new shares classes, Class A09 and Class B09, are issued from February 2, 2009.

The holder of the common shares is not entitled to receive dividends, may not redeem their holding and is only entitled to be repaid the par value of the common shares upon a winding-up or distribution of capital. The common shares are entitled to one vote per share at a general meeting. All the common shares are owned by the Manager (Note 3). Each of the redeemable preference share carries no preferential or pre-emptive rights upon the issue of new redeemable preference shares and has no voting rights at general meetings of the Fund.

Redeemable preference shares may be purchased and redeemed on a Dealing Day, which is generally the first business day of each calendar month. Shares may be purchased at the net asset value per share calculated at the immediately preceding Valuation Day, generally the last business day of the preceding month. Class A and A09 redeemable preference shares may be redeemed with 10 business days written notice, while Class B and B09 may be redeemed with 20 business days written notice, at their net asset value per redeemable preference share, subject to certain restrictions.

At March 31, 2009, FMG (EU) MENA Fund, a fund with the same manager as the Fund, held 43.47% (2008 – nil) of the EUR Class B redeemable preference shares. As at March 31, 2009, nil% (2008 - 20.24%) of the US Dollar Class B redeemable preference shares in issue were held by another investment company also managed by the Manager.

7. **Overdraft facility**

The Fund has a multi-currency overdraft facility of $3,000,000 with the Bank of Bermuda Limited. Collateral for the overdraft facility is a fixed and floating charge over the investment portfolio and deposits held in the Fund's restricted account with the Custodian. Aggregate drawings on the facility are limited to the lesser of $3,000,000 or 15% of the net asset value of the Fund. Borrowings bear interest at LIBOR plus 1.5% per annum and such interest is payable monthly. At March 31, 2009, the amount outstanding under this overdraft facility was $nil (2008 - $nil).

The Fund may borrow for any purpose, including to increase investment capacity, cover expenses, make redemption payments or clear transactions. The concept of leverage is based on the premise that the cost of borrowing will be at rates that normally will be lower than the rate of return earned on the longer term investments that are held. Borrowed funds are collateralized by portfolio securities and cash held by the Fund. Borrowing and leverage may significantly increase the Fund's investment risk. Borrowing creates an opportunity for greater yield and total return but, at the same time, will increase the Fund's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the net assets to increase more rapidly, conversely, the net asset may decrease more rapidly than would otherwise be the case.

8. Taxation

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

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

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

9. Fair value of financial instruments

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

10. Financial instruments and risk management

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

(a) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund invests directly through managed accounts and indirectly through other investments companies in securities that are traded in the Middle East and North Africa. These investment markets are volatile and have limited liquidity. As a result, the Fund may not be able to quickly liquidate its investments in other investment companies at their stated fair value in order to meet its liquidity requirements, including redemption requests from its shareholders. The Fund's exposure to liquidity risk is managed by the Manager.

The Schedule of Investments summarize the redemption frequencies of the Fund's investments in other investment companies at March 31, 2009. The information has been obtained by the Manager from the offering memoranda or similar information provided by the manager of the underlying investment fund or partnership at the time of the Fund's original investment.

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

At March 31, 2009, investments in other investment companies with a fair value of $3,227,807 are with remaining lock-up period of three to four months.

(b) Interest rate risk

Interest rate risk arises when a fund invests in interest-bearing financial instruments. The Fund does not hold investments which are sensitive to interest rates but is indirectly exposed to the interest rate risk of the investments held by the investment companies and limited partnerships in which the Fund invests. Borrowings issued at variable rates (Note 7) expose the Fund to interest rate risk.

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

(c) Credit risk

Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Fund has cash and cash equivalents, derivative transactions and investments held in the custody of a major bank with a long term credit rating of Aa3 issued by Moody's. As the Fund invests in other investment companies, the Fund is exposed to the credit risk of each of those underlying funds. The maximum amount of credit exposure is represented by the carrying amounts of the investments listed on the Schedule of Investments.

Bankruptcy or insolvency of the bank or custodians of the managed accounts may cause the Fund's rights to be delayed with respect to the cash and cash equivalents and securities held in the custodial relationship. The Manager monitors the credit quality and financial position of the bank and custodians and should it decline significantly, the manager will move cash holdings and custodial relationships to another institution.

The Fund has an investment with a fair value of $10,604,331 in managed accounts. JS Investments Limited and Algebra Capital Limited act as the advisors for the managed accounts. Unlike an investment in other investment companies, the Fund will not receive shares or any other form of title for its investment but will simply rank as creditor of the advisors. The advisors for the managed accounts will make separate custody arrangements for the investments held therein. The amount of exposure to the advisor is represented by the carrying amount of the managed accounts.

(d) Market risk

Market risk is the risk that the changes in interest rates, foreign exchange rates or securities prices will affect the fair value of the financial instruments held by the Fund. The Fund invests directly through managed accounts and indirectly through other investment companies in securities that are traded in the Middle East and North Africa. These investment markets are volatile and difficult to predict and therefore expose the Fund to significant market risk. Maximum risk resulting from financial instruments is equivalent to their fair value.

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

At March 31, 2009, if the price of the investments increased by 5%, this would have increased the net assets attributable to holders of redeemable preference shares by $1,003,517 (2008 - $3,036,866); an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable preference shares by an equal amount. Actual results will differ from this sensitivity analysis and the difference could be material.

(e) Currency risk

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

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

(e) Currency risk (continued)

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

	Monetary Assets	Monetary Liabilities	Net assets attributable to non-USD denominated share classes	Forward FX contracts	Net Exposure
March 31, 2009					
SAR	$ 1,003	$ –	$ –	$	$ 1,003
AED	1,172,231	–	–	–	1,172,231
QAR	1,124,848	–	–	–	1,124,848
PKR	1,069,459	(13,032)	–	–	1,056,427
EGP	2,308,187	–	–	–	2,308,187
KWD	1,660,890	–	–	–	1,660,890
EUR	–	(114,870)	(6,703,054)	6,252,955	(564,969)
Other currencies	732,681	–	–	–	732,681
	$ 8,069,299	$ (127,902)	$ (6,703,054)	$ 6,252,955	$ 7,491,298
March 31, 2008					
SAR	$ 15,069,817	$ –	$ –	$ –	$ 15,069,817
AED	8,026,236	–	–	–	8,026,236
QAR	4,150,893	–	–	–	4,150,893
PKR	4,218,114	(127,513)	–		4,090,601
EGP	3,798,342	–	–	–	3,798,342
KWD	1,991,248	(18,552)	–	–	1,972,696
EUR	445,441	–	(17,961,333)	19,518,747	2,002,855
Other currencies	1,279,189	–	–	–	1,279,189
	$ 38,979,280	$ (146,065)	$ (17,961,333)	$ 19,518,747	$ 40,390,629

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

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

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

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

(e) *Currency risk* (continued)

At March 31, 2009, had the US Dollar strengthened by 5% in relation to other currencies, there would be an approximate net impact of $(402,813) (2008 - $(1,919,389)) on the Statement of Operations and net assets of the Fund arising from the change in the carrying value of monetary assets, as shown below.

Currency	2009	2008
SAR	$ (50)	$ (753,491)
AED	(58,612)	(401,312)
QAR	(56,242)	(207,545)
PKR	(52,821)	(204,530)
EGP	(115,409)	(189,917)
KWD	(83,045)	(98,635)
Other currencies	(36,634)	(63,959)
	$ (402,813)	$ (1,919,389)

There would also be an approximate net impact of $28,245 (2008 - $(100,143)) on the Statement of Operations and on the net assets attributable to the hedged non-USD denominated share classes. A 5% weakening of the US Dollar against the Euro would have resulted in an approximate equal but opposite effect.

Actual results will differ from this sensitivity analysis and the difference could be material to the financial statements.

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

Currency to be Bought	Currency to be Sold	Contract due Date	Fair Value
EUR 4,985,612	USD 6,252,955	April 2, 2009	$ 370,929
Unrealized gain on open forward foreign exchange contract			$ 370,929

At March 31, 2008, the Fund had the following open forward foreign exchange contract:

Currency to be Bought	Currency to be Sold	Contract due Date	Fair Value
EUR 12,827,778	USD 19,518,747	April 2, 2008	$ 732,466
Unrealized gain on open forward foreign exchange contract			$ 732,466

11. **Subsequent events**

The Custodian Agreement with HSBC Institutional Trust Services (Bermuda) Limited was terminated effective August 31, 2009. Credit Suisse was subsequently appointed as Custodian.