FMG SPECIAL OPPORTUNITY FUND LTD.

Financial Statements
(With Auditors' Report Thereon)

March 31, 2009

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AUDITORS' REPORT

To the Directors and Shareholders of
FMG Special Opportunity Fund Ltd.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of FMG Special Opportunity 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.

As explained in Note 7, the financial statements include investments in underlying investment companies and investments in an unquoted equity securities with a combined value of $2,662,197 (25.09% of net assets) at March 31, 2009, whose fair values have been estimated by the Manager in the absence of readily ascertainable fair values. We have obtained explanations from the Manager to support the estimation of these fair values and have reviewed the underlying documentation made available to us. In our opinion the explanations obtained and information reviewed are not sufficient to be able to provide a reliable estimate of the fair values of the underlying investment companies and unquoted equity securities at March 31, 2009. Accordingly we were not able to determine whether any adjustments are necessary to the fair values of these investments at March 31, 2009, or to the net decrease in net assets from operations, or to the net decrease in net assets from capital share transactions during the year then ended.

In our opinion, except for the effect of adjustments, if any, related to the valuation of investments described in the preceding paragraph, the financial statements referred to above present fairly in all material respects the financial position of FMG Special Opportunity 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
September 23, 2009

FMG SPECIAL OPPORTUNITY FUND LTD.

Statement of Assets and Liabilities

March 31, 2009
(Expressed in United States Dollars)

	2009	2008
Assets		
Investments in securities (cost - $23,790,649; 2008 - $51,609,056) (See Schedule of Investments) (Notes 7, 9 and 10)	$ 12,162,011	$ 51,041,544
Cash and cash equivalents (Note 9)	1,472,957	96,366
Receivable from investment sold	69,482	–
Dividends receivable	–	79,563
Unrealized gain on forward foreign exchange contracts (Note 10)	–	41,138
Other assets (Note 11)	19,537	48,624
Total assets	13,723,987	51,307,235
Liabilities		
Overdraft (Note 9)	–	632,889
Unrealized losses on forward foreign exchange contracts (Note 10)	201,232	–
Subscriptions received in advance	30,000	169,414
Redemptions payable	2,761,926	183,501
Management and incentive fees payable (Note 3)	71,210	234,763
Administration fees payable (Note 4)	13,560	32,658
Accounts payable and accrued expenses (Note 3)	33,780	41,067
Total liabilities	3,111,708	1,294,292
Net assets	10,612,279	50,012,943
Less: attributable to 100 common shares (Note 6)	(100)	(100)
Net assets attributable to redeemable preference shares (Note 6)	$ 10,612,179	$ 50,012,843
Net assets attributable to 52,464 (2008 - 86,845) US Dollar Class A redeemable preference shares	$ 3,954,640	$ 16,198,091
Net asset value per US Dollar Class A redeemable preference share	$ 75.37	$ 186.52
Net assets attributable to 238 (2008 - nil) US Dollar Class A09 redeemable preference shares	$ 20,685	$ –
Net asset value per US Dollar Class A09 redeemable preference share	$ 87.09	$ –
Net assets attributable to 737,666 (2008 - 1,559,230) US Dollar Class B redeemable preference shares	$ 6,308,079	$ 32,792,701
Net asset value per US Dollar Class B redeemable preference share	$ 8.54	$ 21.03

See accompanying notes to financial statements

FMG SPECIAL OPPORTUNITY FUND LTD.

Statement of Assets and Liabilities (continued)

March 31, 2009
(Expressed in United States Dollars)

	2009	2008
Net assets of $239,857 (2008 - $439,210) attributable to 5,294 (2008 - 3,160) EUR Class A redeemable preference shares	€ 180,533	€ 278,210
Net asset value per EUR Class A redeemable preference share	€ 34.09	€ 88.04
Net assets of $57,972 (2008 - $470,437) attributable to 12,510 (2008 - 33,332) EUR Class B redeemable preference shares	€ 43,634	€ 297,990
Net asset value per EUR Class B redeemable preference share	€ 3.48	€ 8.94
Net assets of $30,946 (2008 - $112,404) attributable to 685 (2008 - 685) GBP Class A redeemable preference shares	£ 21,569	£ 56,562
Net asset value per GBP Class A redeemable preference share	£ 31.47	£ 82.57

See accompanying notes to financial statements

Signed on behalf of the Board

______________________________ Director

______________________________ Director

FMG SPECIAL OPPORTUNITY FUND LTD.

Schedule of Investments

March 31, 2009
(Expressed in United States Dollars)

Investment in securities	Cost	Fair Value	% of Net Assets	Redemption Frequency
Other investment companies				
Central Asia Real Estate Fund Ltd.	$ 1,000,000	$ 251,878	2.37%	Quarterly
Efficacy Biotech Fund Ltd. (June 2008 Series)	1,340,870	988,104	9.31%	Quarterly
Efficacy Biotech Fund Ltd. (Feb 2009 Series)	3,736,891	2,570,058	24.22%	Quarterly
Eurasian Financial Institutions Fund, Class A Series 3	1,000,000	238,851	2.25%	Quarterly
FMG (EU) New Balkans Fund Ltd., Class B	5,471,307	2,588,625	24.39%	Monthly
Hudson River Russia Fund Ltd. Class A Series 04/2006	1,500,000	826,865	7.79%	Monthly
SYW Offshore Ltd Class B Series 0808	2,000,000	2,202,713	20.76%	Monthly
Total investments in other investment companies	16,049,068	9,667,094	91.09%	
Managed accounts				
Citic Securities Brokerage (HK) Ltd. Managed Account	999,868	439,010	4.14%	
Winnington Capital Ltd. Managed Account	2,268,328	1,053,441	9.93%	
Total investments held in managed accounts	3,268,196	1,492,451	14.07%	
Common equities				
Copeinca	3,637,448	839,833	7.91%	
Villa Organic AS	835,937	162,633	1.53%	
Total long positions held in common equities	4,473,385	1,002,466	9.44%	
Total investments in securities	$23,790,649	$12,162,011	114.60%	

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

Long equities	$ 1,492,451	14.07%

The Winnington Capital Ltd. and Citic Securities Brokerage (HK) Ltd. managed accounts include an investment in Imagi International Holdings, with a fair value of $1,181,970 (being 11.14% of the net assets of the Fund).

See accompanying notes to financial statements

FMG SPECIAL OPPORTUNITY FUND LTD.

Statement of Operations

March 31, 2009
(Expressed in United States Dollars)

	2009	2008
Investment income		
Interest income	$ 326	$ 153,371
Dividend income	99,722	187,706
Rebate income (Note 11)	114,881	733,023
Total income	214,929	1,074,100
Expenses		
Management fees (Note 3)	570,676	979,247
Incentive fees (Note 3)	–	623,095
Administration fees (Note 4)	77,450	129,747
Interest expense	17,326	54,097
Custodian fees (Note 5)	18,739	44,708
Audit fees	45,086	25,500
Directors' and secretarial fees	19,757	13,500
Bank charges	10,218	9,891
Miscellaneous	16,377	23,731
Total expenses	775,629	1,903,516
Net investment loss	(560,700)	(829,416)
Realized and unrealized gains and losses on investments		
Net realized gains and losses on sale of investments	(13,538,610)	5,492,602
Net realized gains on forward foreign exchange contracts	95,541	44,465
Net change in unrealized losses on investments	(11,061,126)	(9,928,731)
Net change in unrealized gains and losses on forward foreign exchange contracts	(242,370)	41,138
Net realized and unrealized losses on investments	(24,746,565)	(4,350,526)
Net decrease in net assets from operations	$ (25,307,265)	$ (5,179,942)

See accompanying notes to financial statements

FMG SPECIAL OPPORTUNITY FUND LTD.

Statement of Changes in Net Assets

March 31, 2009
(Expressed in United States Dollars)

	2009	2008
From operations		
Net investment loss	$ (560,700)	$ (829,416)
Net realized gains and losses on sale of investments	(13,538,610)	5,492,602
Net realized gains on forward foreign exchange contracts	95,541	44,465
Net change in unrealized losses on investments	(11,061,126)	(9,928,731)
Net change in unrealized gains and losses on forward foreign exchange contracts	(242,370)	41,138
Net decrease in net assets from operations	(25,307,265)	(5,179,942)
From capital share transactions		
Proceeds from sale of 3,170 (2008 - 53,432) US Dollar Class A redeemable preference shares	511,127	11,076,000
Proceeds from sale of 238 (2008 - nil) US Dollar Class A09 redeemable preference shares	23,750	–
Proceeds from sale of 32,020 (2008 - 700,973) US Dollar Class B redeemable preference shares	603,838	17,148,480
Proceeds from sale of 2,744 (2008 - 3,160) EUR Class A redeemable preference shares	225,221	462,025
Proceeds from sale of nil (2008 - 33,332) EUR Class B redeemable preference shares	–	478,352
Proceeds from sale of nil (2008 - 685) GBP Class A redeemable preference shares	–	135,121
Payment on redemption of 37,551 (2008 - 32,226) US Dollar Class A redeemable preference shares	(5,575,262)	(6,887,648)
Payment on redemption of 853,584 (2008 - 292,718) US Dollar Class B redeemable preference shares	(9,644,910)	(7,531,040)
Payment on redemption of 610 (2008 - nil) EUR Class A redeemable preference shares	(80,859)	–
Payment on redemption of 20,822 (2008 – nil) EUR Class B redeemable preference shares	(156,304)	–
Net (decrease) increase in net assets from capital share transactions	(14,093,399)	14,881,290
Net (decrease) increase in net assets attributable to redeemable preference shares	(39,400,664)	9,701,348
Net assets attributable to redeemable preference shares at beginning of year	50,012,843	40,311,495
Net assets attributable to redeemable preference shares at end of year	$ 10,612,179	$ 50,012,843

See accompanying notes to financial statements

1. Operations

FMG Special Opportunity Fund Ltd. (the "Fund") was incorporated in Bermuda on March 18, 2005 as open-ended investment companies, 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 open or closed-ended investment companies, limited partnerships and managed accounts managed by fund managers, primarily in emerging markets, with the objective of earning a return in excess of that earned on the MSCI 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 in other investment companies are recorded on the trade date, and are valued at their net asset value 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 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 equity securities and equity securities within the managed accounts are accounted for on a trade date basis. The securities that are traded on a national securities exchange are valued at the last reported bid price on the valuation day. The interest, dividend income and realized gains and losses arising from managed accounts are included in the relevant line items in the Statement of Operations. Similarly, cash and bank overdraft attributable to the managed accounts are included in the Statement of Assets and Liabilities.

(b) Emerging markets

The Fund invests directly or indirectly in companies that are located in a variety of emerging markets. Investments in emerging markets involve risks, which do not typically exist in other markets. 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.

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

(b) *Emerging markets* (continued)

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

(c) *Forward foreign exchange contracts*

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro and GBP classes of redeemable preference shares and fair value of investment in other investment companies denominated in Euro to manage its exposure against changes in the US Dollar/Euro and US Dollar/GBP 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 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 contracts are included in the Statement of Operations in the period in which the change occurs and are attributed entirely to the classes of redeemable preference shares to which the individual contracts relate (Notes 2(d) and 10).

(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(c) and 10) and before management and incentive fees, is allocated at the end of each month between the US Dollar, Euro and GBP 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 net assets attributable to the Euro and GBP classes of redeemable preference shares 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 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.

(g) *Interest income and expense*

Interest income and expense are recognized on an accrual basis of accounting.

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

(h) *Rebate income*

The Fund receives partial rebates with respect to the management and incentive fees charged on those investments in other companies that are also managed by the Manager (Note 11). If the amount and timing of such receipts can be estimated, they are accrued, otherwise rebate income is recorded on a cash basis.

(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 $563,805 (2008 - $859,955), of which $71,210 (2008 - $207,105) 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 shares increase above a previously established "high water mark" net asset value for those redeemable preference shares.

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

Incentive 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 earned, 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 net profits attributable to each Class B and Class B09 redeemable preference share calculated monthly and payable quarterly. Net profits are defined as the amount by which cumulative profits attributable to Class B or Class B09 redeemable preference for the fiscal year 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 profit amount in subsequent month(s) exceed carry forward losses and the hurdle as discussed above, together with any cumulative losses incurred in previous fiscal years, adjusted for redemptions. However, the net profits amount, upon which incentive fees are calculated, is not offset by actual losses incurred in previous fiscal years at the time the performance fees became payable. Once earned, the incentive fee is retained by the Manager regardless of the Fund’s future results.

For the year ended March 31, 2009 the incentive fee was $nil (2008 - $566,258). There was no fee payable at March 31, 2009 (2008 - $nil).

The Fund also pays fees to the managers of the managed accounts. For the year ended March 31, 2009, the Fund incurred management fees of $6,871 (2008 - $119,292), of which $nil (2008 - $27,658) was payable at March 31, 2009, and incentive fees of $nil (2008 - $56,837), of which $nil (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 $19,264 (2008 - $569,176) of which $6,276 (2008 - $16,997) were included within accounts payable and accrued expenses.

One of the directors of the Fund is also the Managing Director of the Investment 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 twenty basis points of the Fund’s average net assets, calculated and payable monthly. Effective December 1, 2008, the 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 or fifteen basis points of the Fund’s average net assets. For the year ended March 31, 2009, administration fees were $77,450 (2008 - $129,747), of which $13,650 (2008 - $32,658) was payable at March 31, 2009.

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

5. Custodian fees

Effective October 16, 2006, HSBC Institutional Trust Services (Bermuda) Limited (the "Custodian") became 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, EUR and GBP with a par value of $0.001 each. Redeemable preference shares are issued as Class A and Class B shares. Effective March 2, 2009, the existing Class A and Class B shares were closed for new subscriptions. Two new share 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. Each redeemable preference share carries no preferential or pre-emptive rights upon the issue of new redeemable preference shares and have 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. Redeemable preference shares may be purchased at the net asset value per redeemable preference share calculated at the immediately preceding Valuation Day, generally the last business day of the preceding month. Class A and Class A09 Shares may be redeemed with 45 business days written notice while Class B and Class B09 may be redeemed with 90 business days written notice, at their net asset value per share, subject to certain restrictions.

At March 31, 2009, 9.60% (2008 - 24.20%) of the US Dollar Class B redeemable preference shares of the Fund were owned by the Manager and other investment companies also managed by the Manager.

7. Fair value of financial instruments

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

Investment in Central Asia Real Estate Fund Ltd. and Eurasian Financial Institutions Fund

The Fund has an investment in Central Asia Real Estate Fund Ltd. ("Central Asia") and Eurasian Financial Institutions Fund ("Eurasian") which have estimated fair values of $251,878 and $238,851, respectively, at March 31, 2009 representing 2.37% and 2.25%, respectively, of the net asset value of the Fund at that date.

The investment managers of Central Asia and Eurasian suspended the calculation of net asset values in October 2008 and no official net asset value has been published since that date. The Manager of the Fund has estimated the fair value of the Fund's investment in Central Asia and Eurasian at March 31, 2009 based upon the illiquidity of those investments and the overall movements in the investment markets where Central Asia and Eurasian's investments are located in the period from October 2008 to March 31, 2009.

7. **Fair value of financial instruments** (continued)

Investment in Hudson River Russia Fund Limited

The Fund has an investment in Hudson River Russia Fund Limited ("Hudson River") which has an estimated fair value of $826,865 at March 31, 2009, representing 7.79% of the net asset value of the Fund at that date.

While the investment manager of Hudson River has continued to provide that fund's net asset value on a monthly basis, since October 2008 the investment manager has not permitted investors to redeem out of the fund at those reported net asset values. The Manager of the Fund has estimated the fair value of the Fund's investment in Hudson River at March 31, 2009 by applying a discount to the reported net asset value to reflect the lack of liquidity of the Fund's investment, and to reflect the type and location of the underlying investments held.

Investment in Imagi International Holdings and Villa Organic

The Fund has an investment in Villa Organic and an investment in Imagi International Holdings ("Imagi") held in the Winnington Capital Ltd. and Citic Securities Brokerage (HK) Ltd. managed accounts, which have an aggregate fair value of $1,344,603 at March 31, 2009, representing 12.67% of the net asset value of the Fund at that date. The securities ceased trading in January 2009. The fair value of the securities has been estimated by the Manager by applying a discount on the last traded price in the absence of observable transactions in the marketplace.

The fair valuations carried for Central Asia, Eurasian, Hudson River, Villa Organic and Imagi at March 31, 2009 are based on estimates made by the Fund's Manager. There is a significant amount of uncertainty as to the fair value of the investments at that date since the calculation of the NAV of Central Asia, Eurasian and Hudson River have been suspended and a ready market for the Villa Organic and Imagi securities does not exist. There could be significant differences between the realizable values of the investments upon their eventual sale and the fair value amounts estimated by the Fund's Manager at March 31, 2009, and such differences could be material to the Fund's financial statements.

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 provisions for income taxes in these financial statements.

9. **Overdraft facility**

The Fund has an overdraft facility in the amount of $2,000,000 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 Bank. Aggregate drawings on the facility are limited to the lesser of $2,000,000 or 15% of the net asset value of the Fund. Borrowings bear interest at LIBOR plus 4% per annum which is payable monthly. At March 31, 2009, the amount outstanding under this overdraft facility was $nil (2008 - $nil).

In prior year, the Fund had an overdraft in managed accounts of $632,889. Interest is charged based on rates agreed with the brokers.

9. **Overdraft facility** (continued)

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.

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 investment companies in securities that are located in a variety of emerging markets. These 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, managed accounts and a common equity 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 company 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 date of the Statement of Assets and liabilities

At March 31, 2009, investment companies held by the Fund had implemented the following redemption restrictions:

		Fair value at March 31, 2009	% of Net Assets
Underlying investment holdings which have suspended redemptions and the calculation of NAV	$	1,317,594	12.42%

(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 managed accounts in which the Fund invests. Funds obtained through borrowings issued at variable rates (Note 9) expose the Fund to interest rate risk.

(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 investment companies. The maximum amount of credit exposure is represented by the carrying amounts of the investments listed on the Schedule of Investments.

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

(c) Credit risk (continued)

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

The Fund has investments with a fair value of $1,492,451 in managed accounts. Winnington Capital Ltd. and Citic Securities Brokerage (HK) Limited act as the advisors for the managed accounts. Unlike an investment in an investment company, the Fund will not receive shares or any other form of title for its investments, but will simply rank as a 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 account.

(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 located in a variety of emerging markets. These 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 market values.

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 $608,101 (2008 - $2,552,077); an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable preference shares by an equal amount.

(e) Currency risk

The Fund may invest in securities 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					
EUR	$ 2,588,625	$ -	$ -	$ (3,736,472)	$ (1,147,847)
NOR	1,002,466	-	-	-	1,002,466
HKD	1,543,623	-	-	-	1,543,623
Other currencies	15,641	-	-	-	15,641
EUR	-	-	(297,829)	329,614	31,785
GBP	-	-	(30,946)	36,299	5,353
	$ 5,150,355	$ -	$ (328,775)	$ (3,370,559)	$ 1,451,021
March 31, 2008					
EUR	$ 5,960,479	$ -	$ -	$ -	$ 5,960,479
NOR	3,999,470	-	-	-	3,999,470
HKD	7,380,727	(970,341)	-	-	6,410,386
SAR	4,125,454	-	-	-	4,125,454
CAD	2,881,251	-	-	-	2,881,251
Other currencies	3,016,485	(12,986)	-	-	3,003,499
EUR	-	-	(909,647)	1,089,580	179,933
GBP	-	-	(112,404)	125,658	13,254
	$ 27,363,866	$ (983,327)	$ (1,022,051)	$ 1,215,238	$ 26,573,726

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 Statement of Operations. The gains and losses on contracts entered into for the purpose of hedging the exposure of share classes denominated in currencies other than USD are also recorded in gains and losses on forward foreign exchange contracts in the 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 the other currencies, there would be an approximate net impact of $(70,694) (2008 - $(1,319,027)) on the net decrease in net assets from operations and the net assets of the Fund arising from the change in the carrying value of monetary assets, net of the effect of hedging instruments. There would also be an approximate net impact of $(1,857) (2008 - $9,659) on the net decrease in net assets from 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 contracts:

Currency to be Bought	Currency to be Sold	Contract due Date	Fair Value
EUR 262,808	USD 329,614	April 2, 2009	$ 19,553
GBP 25,904	USD 36,299	April 2, 2009	865
USD 3,736,472	EUR 2,979,168	April 2, 2009	(221,650)
			$ (201,232)

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

Currency to be Bought	Currency to be Sold	Contract due Date	Fair Value
EUR 716,075	USD 1,089,580	April 2, 2008	$ 40,888
GBP 63,357	USD 125,658	April 2, 2008	250
			$ 41,138

11. **Related party transactions**

At March 31, 2009, the Fund held investments with a fair value of $2,588,625 (2008 - $13,785,803) in other investment companies that are also managed by the Manager or related to the Manager.

For the year ended March 31, 2009, rebate income was $114,881 (2008 - $733,023), of which $14,315 (2008 - $37,605) was receivable at March 31, 2009.

12. **Subsequent events**

Effective April 1, 2009, FMG (EU) New Balkans Fund was closed. The Fund received redemption proceeds of $478,296 cash, 189,147 shares in FMG New Balkans Euro Class B valued at $1,264,043 and investment in a managed account with fair value of $846,286 as at April 1, 2009 (unaudited).

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