FMG RISING 3 FUND LTD.

Financial Statements
(With Auditors' Report Thereon)

March 31, 2009 and 2008

FMG RISING 3 FUND LTD.

ANNUAL REPORT

March 31, 2009

Dear Shareholders:

We are pleased to send you the annual report and audited financial statements of FMG Rising 3 Fund Ltd. (the "Fund") for the year ending March 31, 2009. The Fund began operations on November 1, 2003 with a view to investing equally in the markets of China, India and Russia. These are areas which FMG Fund Managers Limited (the "Manager") views as having the greatest economic growth potential over the next decade. The Fund aims to reduce its volatility by diversifying its asset allocation among different managers in each country.

During the period, the Net Asset Value ("NAV") per US Dollar Class A Redeemable Preference Share decreased by 57.35% to $94.98; and the NAV per US Dollar Class B Redeemable Preference Share decreased by 57.13% to $11.03. The Fund also has Euro, GBP and NOK classes with performance ranging from -61.3% to -59.9% depending on the hedging of the currency exposure and the fee schedule. A 09 USD, A 09 EUR, A 09 GBP, Class B Redeemable Preference Share class was launched in February 2009, performance ranging from +3.64%-3.69% over the first two months. The performance of the Fund during the year reflected the extremely challenging environment resulting from the global financial crisis that hit all the Rising 3 economies hard. Russia held up best during the first part of the fiscal year but then suffered from a string of events like collapsing commodity prices, conflict in Georgia and aggressive talk from Prime Minister Putin along with a sharp correcting ruble. India corrected more than emerging markets in general suffered from total lack of investor confidence while China was slightly better than emerging markets overall. All three markets started to recover from its recent lows during the first quarter of 2009.

Last years correction resulted in several changes to the portfolio. Liquidity was the main goal when uncertainty was reaching peak levels. Despite the recent volatility, the sentiment of the majority of our managers is improving and the belief is that the Rising 3 economies will lead the recovery ahead. The Fund will adjust its exposure to the different markets should the markets look more favorable but the exposure will aim to achieve a fairly equal allocation.

Yours sincerely,
FMG Fund Managers Limited
As Manager for
FMG Rising 3 Fund Ltd.

Director

AUDITORS' REPORT

To the Directors and Shareholders of
FMG Rising 3 Fund Ltd.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of FMG Rising 3 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 10, the financial statements of the Fund include investments in FMG Russia Fund Ltd. and FMG China Fund Ltd. These funds hold investments in underlying investment companies and an unquoted equity security whose fair values have been estimated by the manager of FMG Russia Fund Ltd. and FMG China Fund Ltd. in the absence of readily ascertainable fair values. The fair value of the Fund's indirect exposure to these underlying investments at March 31, 2009 is $4,356,602 (7.57% of net assets). The audit reports of the financial statements of FMG Russia Fund Ltd. and FMG China Fund Ltd. for the year ended March 31, 2009 include a qualification regarding the explanations and information provided by the manager of FMG Russia Fund Ltd. and FMG China Fund Ltd. which are not considered to be sufficient to provide a reliable estimate of the fair values of the underlying investment companies and unquoted equity security held at March 31, 2009. Accordingly, we were not able to determine whether any adjustments are necessary to the fair values of the Fund's investment in FMG Russia Fund Ltd. and FMG China Fund Ltd. 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 Rising 3 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 RISING 3 FUND LTD.

Statement of Assets and Liabilities

March 31, 2009
(Expressed in United States Dollars)

	2009	2008
Assets		
Investments in other investment companies (cost - $86,938,845; 2008 - $137,987,573) (See Schedule of Investments) (Notes 7 and 9)	$ 51,377,148	$ 188,715,576
Unrealized gain on forward foreign exchange contracts (Note 11 (e))	470,123	1,501,878
Cash and cash equivalents (Note 7)	7,087,345	5,262,141
Receivable for investment sold	–	1,500,000
Rebate income receivable (Note 3)	196,595	832,621
Unamortized formation costs	–	5,250
Other assets	81,471	10,127
Total assets	59,212,682	197,827,593
Liabilities		
Subscriptions received in advance	41,286	2,631,795
Redemption payable	1,341,286	–
Management and incentive fees payable (Note 3)	251,964	978,741
Administration fees payable (Note 4)	27,719	101,595
Accounts payable and accrued expenses (Note 3)	71,870	451,643
Total liabilities	1,734,125	4,163,774
Net assets	$ 57,478,557	$ 193,663,819
Less: attributable to 100 common shares (Note 6)	(100)	(100)
Net assets attributable to redeemable preference shares (Note 6)	$ 57,478,457	$ 193,663,719
Net assets attributable to 224,603 (2008 - 275,673) US Dollar Class A redeemable preference shares	$ 21,333,471	$ 61,396,725
Net asset value per US Dollar Class A redeemable preference share	$ 94.98	$ 222.72
Net assets attributable to 96 (2008 - nil) US Dollar Class A 09 redeemable preference shares	$ 9,955	$ –
Net asset value per US Dollar Class A 09 redeemable preference share	$ 103.69	$ –
Net assets attributable to 1,897,877 (2008 - 3,057,093) US Dollar Class B redeemable preference shares	$ 20,940,720	$ 78,669,700
Net asset value per US Dollar Class B redeemable preference share	$ 11.03	$ 25.73

See accompanying notes to financial statements

(Expressed in United States Dollars)

		2009		2008
Net assets of $4,691,689 (2008 - $20,812,448) attributable to 50,247 (2008 - 72,672) Euro Class A redeemable preference shares issued and outstanding	€	3,531,302	€	13,182,605
Net asset value per Euro Class A redeemable preference share	€	70.27	€	181.40
Net assets of $19,830 (2008 - $nil) attributable to 144 (2008 - nil) Euro Class A 09 redeemable preference shares issued and outstanding	€	14,925	€	–
Net asset value per Euro Class A 09 redeemable preference share	€	103.64	€	–
Net assets of $4,606,097 (2008 - $11,837,771) attributable to 433,351 (2008 - 365,568) Euro Class B redeemable preference shares issued and outstanding	€	3,466,880	€	7,498,044
Net asset value per Euro Class B redeemable preference share	€	8.00	€	20.51
Net assets of $3,004,108 (2008 - $10,700,009) attributable to 28,261 (2008 - 29,058) GBP Class A redeemable preference shares issued and outstanding	£	2,093,892	£	5,391,734
Net asset value per GBP Class A redeemable preference share	£	74.08	£	185.55
Net assets of $43,207 (2008 - $nil) attributable to 290 (2008 – nil) GBP Class A 09 redeemable preference shares issued and outstanding	£	30,116	£	–
Net asset value per GBP Class A 09 redeemable preference share	£	103.69	£	–
Net assets of $143,682 (2008 - $163,517) attributable to 2,989 (2008 - 987) GBP Class B redeemable preference shares issued and outstanding	£	100,148	£	82,396
Net Asset Value per GBP Class B redeemable preference share	£	33.50	£	83.48

See accompanying notes to financial statements

FMG RISING 3 FUND LTD.

Statement of Assets and Liabilities (continued)

March 31, 2009
(Expressed in United States Dollars)

		2009		2008
Net assets of $1,674,115 (2008 - $6,576,173) attributable to 15,377 (2008 – 17,825) NOK Class A redeemable preference shares issued and outstanding	NOK	11,250,773	NOK	33,483,244
Net Asset Value per NOK Class A redeemable preference share	NOK	731.63	NOK	1,878.44
Net assets of $1,011,583 (2008 - $3,507,376) attributable to 7,822 (2008 - 8,087) NOK Class B redeemable preference shares issued and outstanding	NOK	6,798,265	NOK	17,858,154
Net Asset Value per NOK Class B redeemable preference share	NOK	869.27	NOK	2,208.25

See accompanying notes to financial statements

Signed on behalf of the Board

____ Director

____ Director

FMG RISING 3 FUND LTD.

Schedule of Investments

March 31, 2009
(Expressed in United States Dollars)

Other Investment Companies	Cost	Fair Value	% of Net Assets	Redemption Frequency
FMG China Fund Ltd. – Class B	$ 23,182,049	$ 17,551,445	30.53%	Monthly
FMG (EU) China Fund Ltd. – Class B09 EUR	1,396,900	1,434,888	2.50%	Monthly
FMG India Fund Ltd. – Class B	17,643,101	11,903,257	20.70%	Monthly
FMG (EU) India Fund Ltd. – Class B EUR	1,396,900	1,205,039	2.10%	Monthly
FMG Russia Fund Ltd. – Class B	39,371,682	16,390,709	28.51%	Monthly
FMG Russia Fund Ltd. – Class B Eur	1,000,000	200,390	0.35%	Monthly
FMG (EU) Russia Fund Ltd. – Class B09 Eur	1,396,900	1,336,572	2.33%	Monthly
FMG India Opportunity Fund (EU) Ltd. – Class B EUR	1,551,313	1,354,848	2.36%	Monthly
Total investments in other investment companies	$ 86,938,845	$ 51,377,148	89.38%	

See accompanying notes to financial statements

FMG RISING 3 FUND LTD.

Statement of Operations

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

	2009	2008
Investment income		
Rebate income (Note 3)	$ 2,378,163	$ 10,408,971
Dividends	1,207	–
Interest income	998	124,962
Total income	2,380,368	10,533,933
Expenses		
Incentive fees (Note 3)	581	9,188,677
Management fees (Note 3)	2,161,662	3,566,075
Administration fees (Note 4)	231,296	366,053
Custodian fees (Note 5)	62,649	107,554
Interest on overdraft facility and bank charges (Note 7)	66,949	98,787
Amortization of deferred formation costs	5,250	9,000
Audit fees	50,162	59,000
Directors' and secretarial fees	27,948	22,083
Bermuda company fees	3,619	3,053
Miscellaneous	29,985	41,814
Total expenses	2,640,101	13,462,096
Net investment loss	(259,733)	(2,928,163)
Realized and unrealized gains and losses on investments		
Net realized gains and losses on sale of investments	(13,229,282)	6,173,873
Net realized gains and losses on forward foreign exchange contracts	(7,171,909)	5,531,361
Net change in unrealized gains and losses on investments	(86,289,700)	4,684,559
Net change in unrealized gains and losses on forward foreign exchange contracts	(1,031,755)	1,058,828
Net realized and unrealized gains and losses on investments	(107,722,646)	17,448,621
Net (decrease) increase in net assets from operations	$ (107,982,379)	$ 14,520,458

See accompanying notes to financial statements

FMG RISING 3 FUND LTD.

Statement of Changes in Net Assets

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

	2009	2008
From operations		
Net investment loss	$ (259,733)	$ (2,928,163)
Net realized gains and losses on sale of investments	(13,229,282)	6,173,873
Net realized gains and losses on forward foreign exchange contracts	(7,171,909)	5,531,361
Net change in unrealized gains and losses on investments	(86,289,700)	4,684,559
Net change in unrealized gains and losses on forward foreign exchange contracts	(1,031,755)	1,058,828
Net (decrease) increase in net assets from operations	(107,982,379)	14,520,458
From capital share transactions		
Proceeds from sale of 36,446 (2008 - 62,321) US Dollar Class A redeemable preference shares	6,312,335	15,668,383
Proceeds from sale of 96 (2008 - nil) US Dollar Class A 09 redeemable preference shares	9,600	–
Proceeds from sale of 627,040 (2008 - 635,778) US Dollar Class B redeemable preference shares	5,645,273	17,813,070
Proceeds from sale of 13,645 (2008 - 25,676) Euro Class A redeemable preference shares	2,522,063	7,349,882
Proceeds from sale of 144 (2008 - nil) Euro Class A 09 redeemable preference shares	18,439	–
Proceeds from sale of 308,867 (2008 - 155,993) Euro Class B redeemable preference shares	8,816,279	5,012,452
Proceeds from sale of 9,450 (2008 - 17,119) GBP Class A redeemable preference shares	1,883,452	7,084,555
Proceeds from sale of 290 (2008 - nil) GBP Class A 09 redeemable preference shares	41,569	–
Proceeds from sale of 2,002 (2008 - 987) GBP Class B redeemable preference shares	340,460	204,691
Proceeds from sale of 2,374 (2008 - 3,303) NOK Class A redeemable preference shares	538,864	1,213,815
Proceeds from sale of 1,260 (2008 - 747) NOK Class B redeemable preference shares	604,474	347,885
Payment on redemption of 87,516 (2008 - 58,036) US Dollar Class A redeemable preference shares	(12,431,396)	(14,281,133)
Payment on redemption of 1,786,256 (2008 - 464,902) US Dollar Class B redeemable preference shares	(27,952,131)	(13,050,989)
Payment on redemption of 36,070 (2008 - 21,047) Euro Class A redeemable preference shares	(5,958,148)	(5,860,535)
Payment on redemption of 241,084 (2008 - 124,752) Euro Class B redeemable preference shares	(5,482,829)	(4,202,131)
Payment on redemption of 10,247 (2008 - 2,942) GBP Class A redeemable preference shares	(1,637,393)	(1,198,582)
Payment on redemption of 4,821 (2008 - 3,278) NOK Class A redeemable preference shares	(1,228,501)	(1,206,627)
Payment on redemption of 1,525 (2008 - 954) NOK Class B redeemable preference shares	(245,293)	(349,527)
Net (decrease) increase in net assets from capital share transactions	(28,202,883)	14,545,209

FMG RISING 3 FUND LTD.

Statement of Changes in Net Assets (continued)

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

	2009	2008
Net (decrease) increase in net assets attributable to redeemable preference shares	(136,185,262)	29,065,667
Net assets attributable to redeemable preference shares at beginning of year	193,663,719	164,598,052
Net assets attributable to redeemable preference shares at end of year	$ 57,478,457	$ 193,663,719

See accompanying notes to financial statements

1. Operations

FMG Rising 3 Fund Ltd. (the "Fund") was incorporated in Bermuda on February 23, 2001 as an open-ended investment fund, empowered by its by-laws to issue, redeem and reissue its own shares at prices based on their net asset value. The Fund was initially called FMG Diversified Technology Hedge Fund Ltd. and changed its name to FMG Rising 3 Fund Ltd. on November 5, 2003. The Fund changed its investment strategy with effect from November 1, 2003 and the capital invested through FMG Diversified Technology Fund Ltd. was returned to investors at that date.

The Fund invests with independent investment managers in countries outside of North America and Western Europe. The Fund's assets are invested in other investment companies which have holdings in securities which may be listed or unlisted, rated or unrated, in China, India and Russia.

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 and limited partnerships are valued since bid prices are not available. Investments in other investment companies and limited partnerships 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 and limited partnerships. 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 and limited partnerships. The other investment companies and limited partnerships 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.

(b) Forward foreign exchange contracts

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro, GBP and NOK classes of redeemable preference shares to manage its exposure against changes in the US Dollar/Euro, US Dollar/GBP and US Dollar/NOK 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(c) and 11).

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

(c) 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 11(e)) and before management and incentive fees, is allocated at the end of each month between the US Dollar, Euro, GBP and NOK 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).

(d) 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.

(e) Foreign currency transactions

Foreign currency balances that are monetary items, have been translated into US dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions have been 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) Interest income and expense

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

(g) Rebate income

The Fund receives rebates of part of the management and incentive fees charged on those investments in other investment companies that are also managed by the Manager (Notes 3 and 9). If the amount and timing of such receipts can be estimated, they are accrued; otherwise, rebate income is recorded on a cash basis.

(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 on a short term basis.

(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.

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

(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 and incentive 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 redeemable preference shares of the Fund and 1.5% per annum of the net assets attributable to the Class B 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 $2,161,662 (2008 - $3,566,075), of which $251,383 (2008 - $978,741) was payable at March 31, 2009.

Incentive fees

The Class A redeemable preference shares also pay 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 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 share has a loss chargeable to it during any Performance Period and during a subsequent Performance Period there is a profit allocable to such Class A redeemable preference share there will be no incentive fee payable with respect to such Class A redeemable preference share until the amount of the net loss previously allocated to such share has been recouped. Incentive fees are only paid when the net asset value of the Class A redeemable preference shares increases above a previously established "high water mark" net asset value for those Class A redeemable preference shares. 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 redeemable preference shares also pay to the Manager an incentive fee of 10% of Net Profits attributable to the Class B redeemable preference shares, calculated monthly and payable quarterly. Net profits are defined as the amount by which cumulative profits attributable to each Class B 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 net profit for a month is negative, it will be carried forward ("carry forward losses") and offset against net profit in the subsequent month(s). No incentive fee will be payable until 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 is calculated. Once earned, the incentive fee will be retained by the Manager regardless of the Fund's future results.

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

Incentive fees (continued)

For the year ended March 31, 2009 the incentive fee was $581 (2008 - $9,188,677), of which $581 (2008 - $nil) was payable at March 31, 2009.

The Fund is charged management and incentive fees by the Manager as described above on its net assets. However, some of the other investment companies and limited partnerships in which the Fund invests are also managed by the Manager. To ensure that the Fund is not double charged for such management and incentive fees, the Manager rebates to the Fund its proportionate share of such fees. Management and incentive fees rebated to the Fund during the year amounted to $2,378,163 (2008 - $10,408,971) of which $196,595 (2008 - $832,621) is receivable 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. At March 31, 2009, $22,914 (2008 - $282,876) of load fees payable were included within 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 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 fifteen basis points of the Fund’s net assets per annum. 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 $231,296 (2008 - $366,053) of which $27,719 (2008 - $101,595) was payable at March 31, 2009.

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

5. **Custodian fees**

Effective October 16, 2006, HSBC Institutional Trust Services (Bermuda) Limited (the “Custodian”) acts as custodian to the Fund. Previously, custodial services were provided by The Bank of Bermuda Limited, the parent company of HSBC Institutional Trust Services (Bermuda) Limited. Fees for custody services are charged at the higher of $3,000 per annum or five basis points of the gross asset value of custodied investments (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, which is divided into 100 common shares of par value $1 each and 10,900,000 redeemable preference shares (the “Shares”), issued in US dollars, Euro, British Pounds and Norwegian Kroner as Class A and Class B shares with a par value $0.001 each.

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.

6. **Share capital** (continued)

The common shares are entitled to one vote per share at a general meeting. All the common shares are held by the Manager (Note 3).

Each of the redeemable preference shares 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.

Effective February 1st, 2009 Class A 09, Class A EUR 09 and Class A GBP 09 redeemable preference shares were offered for sale. Effective March 1st, 2009, Class A, Class A EUR and Class A GBP redeemable preference shares were closed to additional subscriptions. Class A 09, Class A EUR 09 and Class A GBP 09 redeemable preference shares have identical rights to the Class A, Class A EUR and Class A GBP redeemable preference shares.

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 B Shares may be redeemed with 10 and 20 business days written notice, respectively, at their net asset value per redeemable preference share, subject to certain restrictions.

At March 31, 2009, FMG Combo Fund Ltd., a fund with the same Manager as the Fund, held nil (2008 - 272,139) shares or nil% (2008 - 8.9%) of the outstanding US Dollar Class B redeemable preference shares. The Manager also holds nil (2008 - 14,329) shares or nil% (2008 - 0.46%) of the outstanding US Dollar Class B redeemable preference shares of the Fund. FMG (EU) Rising 3, a fund with the same Manager as the Fund, held 169,886 (2008 – nil) shares or 39.20% (2008 – nil%) of the outstanding Euro Class B redeemable preference shares. The directors of the Fund held US Dollar Class B redeemable preference shares of the Fund during the year; however, these positions were fully redeemed by March 31, 2009.

7. **Overdraft facility**

The Fund has an overdraft facility in the amount of $20,000,000 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 $20,000,000 or 15% of the net asset value of the Fund. Borrowings bear interest at LIBOR plus 1.5% per annum which is payable monthly. At March 31, 2009, the limit made available by the Bank of Bermuda Limited on the overdraft facility was $4,452,000 and the amount outstanding under this overdraft facility was $nil (2008 - $nil).

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. **Related party transactions**

At March 31, 2009, the Fund's investments with a total value of $51,377,148 (2008 - $188,715,576) are in other investment companies which are also managed by the Manager.

10. **Fair value of financial instruments**

The methods used to determine the fair value of investments in other investment companies and the unrealized gains or 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.

Investment in FMG Russia Fund Ltd.

The Fund has an investment in FMG Russia Fund Ltd. ("FMG Russia") with a fair value of $16,390,709 at March 31, 2009, representing 28.51% of the net asset value of the Fund at that date. At March 31, 2009 FMG Russia held two investments in other investment companies with a total estimated fair value of $3,020,363, representing 15.19% of the net asset value of FMG Russia. Since October 2008 there has been a suspension in dealing in the shares of these two funds and the calculation of their net asset value, due to adverse market conditions and the illiquidity of investments held in their portfolios. The fair value of these investments at March 31, 2009 have been estimated by the Manager of FMG Russia based upon available information regarding the overall movements in the markets in which those funds are invested and the Manager's knowledge of the underlying portfolios.

Investment in FMG China Fund Ltd.

The Fund has an investment in FMG China Fund Ltd. ("FMG China") which has a fair value of $17,551,445 at March 31, 2009, representing 30.53% of the net asset value of the Fund at that date. At March 31, 2009 FMG China held an investment in another investment company and an investment in an unquoted equity security. Together these two investments have an estimated fair value of $2,061,215, representing 8.57% of the net asset value of FMG China. Since October 2008 there has been a suspension in dealing in the shares of the other investment company and the calculation of its net asset value, due to adverse market conditions and the illiquidity of investments held in its portfolio. The unquoted equity security currently has no ready market.

The fair value of the Fund's investment in the other investment company at March 31, 2009 has been estimated by the Manager of FMG China based upon available information regarding the overall movements in the markets in which the fund is invested and the Manager's knowledge of the underlying portfolio. The fair value of the unquoted equity security has been estimated by the Manager as being approximate to its original cost, in the absence of observable transactions in the marketplace.

There is a significant amount of uncertainty as to the fair value of these investments at March 31, 2009 due to the inability of FMG Russia and FMG China to redeem their investments and due to the illiquid nature of the underlying investments held. There could be significant differences between the realizable values of the investments upon their eventual sale by FMG Russia and FMG China and the fair value amounts estimated by the Manager at March 31, 2009, and such differences could be material to the Fund's financial statements.

11. 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.

The other investment companies in which the Fund invests hold investments in companies that are mainly focused on investments located in Russia, China and India. These countries are experiencing significant political and economic change which has affected, and may continue to affect, the activities of enterprises operating in those environments. The prospects for future economic stability in these countries are largely dependent upon the effectiveness of economic measures undertaken by their governments, together with legal, regulatory and political developments, which are beyond the Fund’s control. Consequently, operations in these emerging markets involve risks which do not typically exist in other markets. Such risks include, but are not limited to, holding investments 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 business, currency fluctuations, change in interest rates, institutional, settlement and custodial risks, and other risks generally associated with investing in immature emerging markets.

(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’s investments in other investment companies and limited partnerships are not traded in an organized public market. As a result, the Fund may not be able to quickly liquidate its investments 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 summarizes the redemption frequencies of the Fund’s investments in other investment companies at March 31, 2009.

At March 31, 2009, there was no redemption restriction for any of the investment funds held by the Fund.

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

(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 in which the Fund invests.

11. **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 financial instruments 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 and limited partnerships, the Fund is exposed to the credit risk of each of those underlying funds. The 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 may cause the Fund's 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.

(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 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 resulting from operations and the net assets attributable to holders of redeemable preference shares by $2,568,857 (2008 -$9,435,779); an equal change in the opposite direction would have decreased the net assets resulting from operations and the net assets attributable to holders of redeemable preference shares by an equal amount. Actual results will differ from this sensitivity analysis and the differences could be material.

(e) Currency risk

The Fund may invest in other investment companies and limited partnerships 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.

11. **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					
GBP	$ –	$ (109,222)	$ (3,190,997)	$ 3,057,268	$ (242,451)
EUR	5,531,737	–	–	(4,696,044)	835,693
EUR	–	(51,919)	(9,317,616)	8,731,210	(638,325)
NOK	–	(5,387)	(2,685,698)	2,387,700	(303,385)
	$ 5,531,737	$ (166,528)	$ (15,194,311)	$ 9,480,134	$ (348,968)

	Monetary Assets	Monetary Liabilities	Net assets attributable to non-USD denominated share classes	Forward FX Contracts	Net Exposure
March 31, 2008					
GBP	$ 55,562	$ –	$ –	$ –	$ 55,562
GBP	–	–	(10,863,526)	12,068,857	1,205,331
EUR	811,035	–	–	–	811,035
EUR	–	–	(32,650,219)	34,441,385	1,791,166
NOK	–	–	(10,083,549)	10,921,182	837,633
	$ 866,597	$ –	$ (53,597,294)	$ 57,431,424	$ 4,700,727

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 statement of operations, but are allocated specifically to the non-USD denominated share classes to which the hedging activities, and resultant gains and losses, relate.

11. **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 above currencies, there would be an approximate net impact of $(41,785) (2008: $(43,330)) on the statement of operations and 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 $59,208 (2008: $(191,707)) 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 above currencies 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	6,674,542	USD	8,371,210	02 April, 2009	$	496,586
USD	4,969,044	EUR	3,961,923	02 April, 2009		(294,767)
NOK	17,359,770	USD	2,387,700	02 April, 2009		195,434
GBP	2,181,737	USD	3,057,268	02 April, 2009		72,870
Unrealized gain on open forward foreign exchange contracts					$	470,123

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	22,634,980	USD	34,441,385	02 April, 2008	$	1,294,295
NOK	56,626,329	USD	10,921,182	02 April, 2008		200,337
GBP	6,085,145	USD	12,068,851	02 April, 2008		7,246
Unrealized gain on open forward foreign exchange contracts					$	1,501,878

12. **Subsequent events**

As of August 31, 2009, the custody agreement between the Fund and HSBC was terminated by the Fund. A new custody agreement was entered into as of September 1, 2009 with Credit Suisse who took over the custodial responsibilities of the Fund’s assets as of that date.

BOARD OF DIRECTORS

James Keyes*
William Woods*
Peter Hughes*

*These Directors are independent non-executive directors as defined under ISE Listing Requirement and Procedure 2.20