

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2008**



**BDO Simpson Xavier**  
Business & Financial Advisers  
Beaux Lane House  
Mercer Street Lower  
Dublin 2 Ireland

# THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

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**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**ADMINISTRATION**

**Directors**

Douglas E. Barnett  
Lau Chung Wei Wayne  
James Lyle

**Registered Office**

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**Investment Manager**

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**Auditors**

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**Administrator, Registrar and Company Secretary**

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**Legal Advisers**

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**INDEPENDENT AUDITORS' REPORT  
TO THE DIRECTORS OF THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**  
(incorporated in the British Virgin Islands with limited liability)

We have audited the accompanying financial statements of Thai Focused Equity U.S. Feeder Fund Limited (the "Fund") which comprise the balance sheet as of 31 December, 2008 and the income statement, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Michael Costello  
Liam Dowdall  
John Gilmor Gavin  
Denis Hanly  
Jim Hamilton

Chartered Accountants

Diarmuid Hendrick  
Gerard Holliday  
Paul Keenan  
Neil Kelly  
Brian McGann  
Stephen McGivern

Kevin McSharry  
Colm Nagle  
Paul Nestor  
John O'Callaghan  
Louis O'Neill  
Frank Sheedy

Peter Carroll (Managing Partner)  
Eddie Doyle  
Stewart Dunne  
Ivor Feerick  
Alan Flynn  
David Giles  
Derry Gray

Denis Herlihy  
Ciarán Medlar  
David McCormick  
Michelle O'Keefe  
Peter O'Neill  
Noel Taylor

Consultants  
Peter Carty  
Nigel Cox  
Hugh Cooney  
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Carmel Ryan  
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*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

20 April 2009  
Date

BDO Simpson Xavier  
**BDO Simpson Xavier**  
Registered Auditors

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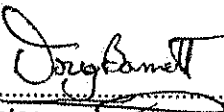
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**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Note	2008 US\$	2007 US\$
<b>Assets</b>			
Investment in Thai Focused Equity Fund Limited	3	<u>52,329,505</u>	<u>100,950,361</u>
Total assets		<u><u>52,329,505</u></u>	<u><u>100,950,361</u></u>
<b>Liabilities</b>			
Incentive allocation	4 (b)	-	6,160,024
Equalization expense payable	4 (b)	-	235,537
Audit fee payable		<u>13,275</u>	<u>10,000</u>
Liabilities (excluding net assets attributable to holders of redeemable common shares)		<u><u>13,275</u></u>	<u><u>6,405,561</u></u>
Net assets attributable to holders of redeemable common shares		<u><u>52,316,230</u></u>	<u><u>94,544,800</u></u>

  
Director

  
Director

The accompanying notes are an integral part of these financial statements.

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 US\$	2007 US\$
<b>Revenue</b>			
Net (losses)/gains on investment in Thai Focused Equity Fund Limited		<u>(37,984,706)</u>	<u>32,591,382</u>
<b>Expenses</b>			
Incentive allocation	4 (b)	-	6,315,884
Audit fee		<u>13,275</u>	<u>10,000</u>
		<u>13,275</u>	<u>6,325,884</u>
(Decrease)/increase in net assets attributable to holders of redeemable common shares from operations		<u>(37,997,981)</u>	<u>26,265,498</u>

The accompanying notes are an integral part of these financial statements.

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE COMMON SHARES**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

	<b>2008 US\$</b>	<b>2007 US\$</b>
Net assets attributable to holders of redeemable common shares at 1st January	<b>94,544,800</b>	59,024,361
Proceeds from subscription of redeemable common shares	<b>2,495,546</b>	9,806,629
Redemption of redeemable common shares	<b>(6,726,135)</b>	(551,688)
Net (decrease)/increase from share transactions	<b>(4,230,589)</b>	9,254,941
(Decrease)/increase in net assets attributable to holders of redeemable common shares from operations	<b>(37,997,981)</b>	26,265,498
Net assets attributable to holders of redeemable common shares at 31 December	<b><u>52,316,230</u></b>	<b><u>94,544,800</u></b>

The accompanying notes are an integral part of these financial statements.

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 US\$	2007 US\$
Cash flows from operating activities:		
(Decrease)/increase in net assets attributable to holders of redeemable common shares from operations	(37,997,981)	26,265,498
Adjustment for:		
Net change on investment in Thai Focused Equity Fund Limited	37,984,706	(32,591,382)
	<u>(13,275)</u>	<u>(6,325,884)</u>
(Decrease)/increase in incentive allocation	(6,395,561)	6,315,884
Increase in audit fee payable	3,275	10,000
Net cash inflow/(outflow) from operating activities	<u>(6,405,561)</u>	<u>-</u>
Cash flows from investing activities:		
Purchase of investments	(2,495,546)	(9,806,629)
Sale of investments	13,131,696	551,688
Net cash (outflow)/inflow from investing activities	<u>10,636,150</u>	<u>(9,254,941)</u>
Cash flows from financing activities:		
Proceeds from redeemable common shares	2,495,546	9,806,629
Redemption of redeemable common shares	(6,726,135)	(551,688)
Net cash (outflow)/inflow from financing activities	<u>(4,230,589)</u>	<u>9,254,941</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

## **THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

#### **1 General**

Thai Focused Equity U.S. Feeder Fund Limited (the "Fund") was incorporated in the British Virgin Islands on 1st May 2006 and commenced operations on 1st July 2006. The objective of the Feeder is to seek superior long term capital appreciation through investment primarily in corporate equity securities of companies whose principal assets or operations are located in Thailand, or whose income is derived primarily from Thailand.

The Feeder Fund invests substantially all of its assets in Thai Focused Equity Fund Limited (the "Master Fund"), a British Virgin Islands company, in Classes A Fee Paying, C Fee Paying, and D Fee Paying. The Master Fund may invest in long or short positions in privately negotiated (or restricted) common stocks of publicly traded companies, preferred stocks, stock warrants and rights, sovereign debts, corporate debts, bonds, notes or other debentures or debt participations, convertible securities swaps and other derivative instruments, partnership interests and other securities including those of investment companies. The Master Fund may sell securities short and employ leverage when deemed appropriate. The Master Fund may invest up to 25% of its net assets in other Asian countries. The Feeder Fund has no employees.

The Investment Manager of the Feeder Fund is Quest Management, Inc. (the "Investment Manager"), a British Virgin Islands company. Douglas E. Barnett (the "Principal"), the principal of the Investment Manager and a Director of the Feeder Fund, is responsible for making the investment decisions on behalf of the Investment Manager.

On 1st July 2006 (date of commencement of operations) the US investors of the Master Fund transferred their investment in the Master Fund to the Feeder Fund by way of an in specie transfer whereby their shares in the Master Fund were exchanged for Class A1 and Class C1 shares of the Feeder Fund.

All references to net assets throughout these financial statements refer to net assets attributable to holders of redeemable common shares of the Feeder Fund.

These financial statements of the Feeder Fund should be read in conjunction with the financial statements of the Master Fund for the year ended 31 December 2008.

#### **2 Principal accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below:

##### **(a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008**

**2 Principal accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies.

**Standards and Interpretations in issue not yet adopted**

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 8, Operating Segments (effective January 1, 2009)\*  
IFRS 2, Share-based Payments – Vesting Conditions and Cancellations (effective January 1, 2009) \*  
IAS 23 (Revised), Borrowing Costs (effective January 1, 2009) \*  
IAS 1 (Revised), Presentation of Financial Statements (effective January 1, 2009) \*  
IAS 32 and IAS 1 (Amendment), Puttable Financial Instruments and Obligations Arising on Liquidation (effective January 1, 2009) \*  
IFRS 3 (Revised), Business Combinations (effective July 1, 2009) \*  
IAS 27 (Revised), Consolidated and Separate Financial Statements (effective July 1, 2009) \*

\*Annual reporting periods beginning on or after that date

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company

**(b) Translation of foreign currencies**

**i) *Functional and presentation currency***

The Feeder Fund's investors are from the United States with the subscriptions and redemptions of the redeemable common shares denominated in US\$. The performance of the Feeder Fund is measured and reported to the investors in US\$. The Board of Directors considers the US\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in US\$, which is the Feeder Fund's functional and presentation currency.

**ii) *Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities are recognised in the income statement within the fair value net gain or loss. The prevailing exchange rate from Thailand Baht to United States Dollars as at December 31, 2007 was 33.72 and at December 31, 2008 was 34.74.

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008**

**2 Principal accounting policies (Continued)**

**(c) Cash and cash equivalents**

Cash comprises of bank balances. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

**(d) Investments**

This category has two sub-categories: financial assets and liabilities held for trading, and those designated by management at fair value through profit or loss at inception. The Fund's investments in financial assets or liabilities are categorized as investments held for trading; the investments are comprised of a single investment in the Master Fund.

Investment transactions are accounted for on a trade date basis. Investments are initially recognized at fair value inclusive of all directly attributable purchase costs. Investments are subsequently carried at fair value determined, by the Valuation Agent, Goldman Sachs Administration Services Company, at the un-audited NAV of the Master Fund.

**(e) Redeemable common shares**

Redeemable common shares are redeemable at the shareholder's option subject to the lock up and notice periods described in note 6 and are classified as financial liabilities. The redeemable common share can be put back to the Feeder Fund for cash equal to a proportionate share of the Feeder Fund's net asset value. The redeemable common share is carried at the redemption amount that would be payable at the balance sheet date if the shareholder exercised the right to put the share back to the Feeder Fund.

The net asset value per redeemable common share of the Feeder Fund is calculated on a monthly basis, by dividing the net assets included in the balance sheet by the number of shares in issue as at that date.

Prices for issues of redeemable common shares are based on the net asset value as of the close of business on the immediately preceding business day in Thailand.

Prices for redemption of redeemable common shares are based on the net asset value as of the last business day in Thailand after deduction of the basic management fees and incentive allocations attributable to the shares redeemed.

Proceeds and payments for redeemable common shares issued and redeemed are shown as movements in the statement of changes in net assets attributable to holders of redeemable common shares.

**(f) Use of estimates**

The preparation of financial statements with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

#### 3 Investments

Investments comprise of Class A, C and D shares of the Master Fund. The Master Fund is not publicly traded and redemptions can only be made by the Feeder Fund on the redemption dates specified in its Confidential Explanatory Memorandum.

As at 31 December 2008 the Feeder Fund's proportionate interest in the net assets of the Master Fund was 40.86% (2007: 30.06%). The performance of the Feeder Fund is directly affected by the performance of the Master Fund.

At 31 December 2008, the Master Fund's securities portfolio was comprised mainly of listed securities on the Stock Exchange of Thailand and 2 United States Treasury Bills.

#### 4 Fees

##### (a) Investment management basic fee

Pursuant to the Feeder Fund's Confidential Explanatory Memorandum dated June 2006, the Investment Manager is entitled to receive an investment management basic fee as follows:

Class A1 and A2 shares	1.0% per annum
Class B2 shares	1.0% per annum
Class C1 and C2 shares	1.5% per annum
Class D1 and D2 shares	2.0% per annum

The investment management basic fee is calculated and paid by the Master Fund by reference to the net asset value and accrued as of the end of each month and is payable on a quarterly basis. As the Feeder Fund invests substantially all of its assets in the Fee Paying Classes of the Master Fund no such fees have been charged to the Feeder Fund.

To the extent such fees are paid at the Master Fund Level, no such fees will be charged by the Feeder Fund. No such fees were charged to the Fund for the period.

## THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

#### 4 Fees (Continued)

##### (b) Incentive Allocation

Pursuant to the Feeder Fund's Confidential Explanatory Memorandum, the Manager shares are allocated an incentive allocation from the Feeder Fund calculated on a share-by-share basis so that each share is charged an incentive allocation which equates precisely with that share's performance.

The Manager shares are allocated an incentive allocation for each financial year equal to 20% of the net income (including net realised and unrealised gains), if any, during such financial year allocable to each redeemable common share. If a redeemable common share has a loss chargeable to it during any financial year and during a subsequent year there is a profit allocable to the redeemable common share, there will be no incentive allocation with respect to the redeemable common share until the amount of the loss previously allocated to the redeemable common share has been recouped.

For operational purposes, the Administrator performs certain equalisation adjustments. This is done so that (i) the incentive allocation is charged only to those shares which have appreciated in value since their acquisition, (ii) all shareholders will have the same amount per share at risk and (iii) all shares will have the same net asset value.

When new shareholders subscribe at a net asset value higher than the net asset value at which the incentive allocation was last calculated (the "high water mark"), units equivalent to the incentive allocation which is included in the subscription price as at the entry date (equalization factor) are returned to the relevant shareholders in the form of new shares as of the year end date.

When new shareholders subscribe at a net asset value lower than both the high water mark and the net asset value as at the year-end date following investment, such shareholders would be subject to an additional incentive allocation calculated by reference to the net asset value at which they subscribed and the lower of the high water mark and the net asset value as at the year-end following investment which is effected through the redemption of shares with respect to the relevant shareholders.

When shareholders redeem during the year, such shareholders, according to the Feeder Fund's Confidential Explanatory Memorandum, are liable to the payment of incentive allocation fee based on the net asset value achieved on the relevant redemption date.

According to the Feeder Fund's Confidential Explanatory Memorandum, when shareholders purchase shares during the fiscal year at an offer price lower than year end net asset value per share but below the high water mark, defined at the beginning of the fiscal year as the net asset value per share as at the preceding fiscal year end date, an incentive allocation is payable by those particular shareholders to the Investment Manager. Such shareholders will have part of their shareholding redeemed to cover the incentive allocation payable to the investment manager as at the end of the fiscal year.

Based on the above the Investment Manager was entitled to incentive allocation of US\$0 (2007: US\$6,315,884) for the year of which US\$0 (2007: US\$6,160,023) remained payable at year end.

## THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

#### (c) Administration fee

Under an Administration Services Agreement dated 17 October 2006, Goldman Sachs Bank (Europe) Plc acts as the administrator. The fee is payable monthly in arrears and accrued on a monthly basis as calculated based on the monthly net asset value of the Feeder Fund at the following annual rates of Feeder Fund's monthly net asset value and subject to a minimum fee of US\$50,000 per annum:

- 0.14% per annum on the first US\$100 million of the net asset value
- 0.12% per annum on the next US\$100 million of the net asset value
- 0.10% per annum above US\$200 million of the net asset value

To the extent that such fees are paid at the Master Fund Level, no such fees will be charged by the Feeder Fund. No such fees were charged to the Fund for the period.

#### 5 Taxation

The Feeder Fund is domiciled in the British Virgin Islands which is an off-shore jurisdiction and the Feeder Fund is exempt from paying income or capital gains taxes of that jurisdiction.

The Feeder Fund has filed with the United States Internal Revenue Service to elect to be treated as a partnership for United States federal income tax purposes.

#### 6 Redeemable common shares

The Feeder Fund is authorized to issue a maximum of 5,050,000 shares of no par value which may be Class A1 Shares, Class A2 Shares, Class B1 Shares, Class B2 Shares, Class C1 Shares, Class C2 Shares, Class D1 Shares or Class D2 Shares provided that there shall at any time be:

- (a) a maximum of 50,000 Manager Shares; and
- (b) a maximum of 5,000,000 Investor Shares

Class A1 Shares, Class A2 Shares, Class C1 Shares, Class C2 Shares, Class D1 Shares and Class D2 Shares are referred to as "Investor Shares" while Class B1 Shares and Class B2 Shares are referred to as "Manager Shares".

The investor shares are subscribed to by investors. The manager shares are subscribed to solely by the Investment Manager or its affiliates, and are identical to investor shares except that the manager shares are entitled to the incentive allocation as described in note 4(b) to the financial statements.

Investor Shares and Manager Shares are referred to as "Common Shares". Class A1, Class B1, Class C1 and Class D1 shares are held only by those shareholders whose Common Shares were transferred from the Master fund. Class A2, Class B2, Class C2 and Class D1 shares are subject to a lock up period of twenty five months following their purchase. Each Common Share has equal dividend, distribution and liquidation rights (except as to the Incentive Allocation).

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008**

**6 Redeemable common shares (Continued)**

All issued redeemable Common Shares that are fully paid, entitle them to dividends and voting powers and are identical except for the differences in investment management basic fee charged and redemption notice periods as follows:

	Investment management basic fee	Redemption notice period
Investor share Class A1	1.0%	1 month
Investor share Class A2	1.0%	1 month
Manager share Class B1	-	1 month
Manager share Class B2	1.0%	1 month
Investor share Class C1	1.5%	3 months
Investor share Class C2	1.5%	3 months
Investor share Class D1	2.0%	6 months
Investor share Class D2	2.0%	6 months

The Feeder Fund does not anticipate paying any dividends on its Investor Shares.

Redeemable common shares in issue are as follows:

	A1 Shares	A2 Shares	C1 Shares	C2 Shares
Balance at 31 December 2008	64,305.3978	1,016.0196	47,910.6063	14,304.7855
	NAV per share	NAV per share	NAV per share	NAV per share
	<u>382.19</u>	<u>370.53</u>	<u>377.05</u>	<u>367.10</u>
	D2 Shares			
Balance at 31 December 2008	11,234.7229			
	NAV per share			
	<u>364.22</u>			

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008**

**6 Redeemable common shares (Continued)**

	A1	A2	C1	C2
	Shares	Shares	Shares	Shares
Balance at 31 December 2007	65,265.0970	893.1922	52,286.4387	13,692.1255
	NAV per Share	NAV per Share	NAV per Share	NAV per Share
	<u>651.45</u>	<u>631.57</u>	<u>645.92</u>	<u>628.86</u>
	D2 Shares			
Balance at 31 December 2007	14,532.2336			
	NAV per Share			
	<u>627.07</u>			

There were no B1, B2 or D1 redeemable common shares issued during the period.

**7 Financial instruments**

The Feeder Fund is exposed to market risk, credit risk, currency risk, off-balance sheet risk, liquidity risk and interest rate risk by virtue of its investment in the Master Fund. This is because the Feeder Fund invests substantially all of its assets in the Master Fund. The risk management policies employed by the Master Fund to manage these risks are discussed below:

**(a) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Feeder Fund invests all its assets in the Master Fund, which bears the market price risk.

## THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

#### 7 Market price risk (Continued)

The Master Fund's investments are primarily equities and are predominantly located in Thailand. The Master Fund is therefore exposed to market risk associated with the economy of Thailand. In the normal course of business, the Master Fund trades option contracts, financial futures, forward contracts and other derivative financial instruments all of which are carried at market or fair value. Generally, these financial instruments represent future commitments to purchase, sell or exchange other financial instruments on specific terms at specified future dates. The extent of the Master Fund's involvement in these instruments is determined by the composition of the investment portfolio and the Investment Manager's expectations as to the direction and volatility of interest and foreign exchange rates, as well as other economic factors. These transactions involve a market risk that may be in excess of that amount recognized in the accompanying balance sheet due to future changes in the market values of the securities, commodities or currencies underlying the financial instruments. Details of the Fund's derivative financial instruments are disclosed in the Schedule of Investments. This is further disclosed in the Master Fund's financial statements.

#### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered to with the Master Fund.

The Feeder Fund invests all its assets in the Master Fund, which bears the credit risk.

Financial assets which potentially subject the Master Fund to concentrations of credit risk consist principally of equities, bank balances, amounts due from brokers and other receivables. The exposure to credit risk in respect of equities is controlled by the limits set by the Master Fund on its investment holding in a single issuer. Substantially all of the assets and liabilities of the Master Fund are held with Goldman Sachs International, Kasikorn Securities and Tisco Securities Company Limited and the Master Fund therefore has a significant credit risk exposure to these counterparties. This is further disclosed in the Master Fund's financial statements.

#### (c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Feeder Fund invests substantially all of its assets in the Master Fund. Therefore the currency risk is at the Master Fund level.

The Master Fund generally enters into forward foreign exchange contracts in order to manage its net exposure to fluctuations in foreign currency exchange rates. Investments in companies that conduct US dollar based businesses, such as shipping and energy are not currency hedged, but investments in companies that have Baht income and Baht expenses typically are hedged back into US dollars.

The value of the securities held by the Master Fund in foreign currencies will be affected by changes in the value of that currency.

## THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

#### (d) Liquidity risk

The Master Fund's listed securities are considered readily realizable, as they are listed on the Thailand stock exchange. In some circumstances, investments may be relatively illiquid making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. To manage this risk, the Master Fund monitors the liquidity of its portfolio so that most of its investments can be disposed of within the redemption periods set. Class A1, A2, B1 and B2 has a redemption notice period of 1 month. Class C1 and C2 has a redemption notice period of 3 months. Class D1 and D2 has a redemption notice period of 6 months.

The Feeder Fund is exposed to monthly cash redemptions of redeemable shares. Requests for redemptions shall be honored only if they are received, in the case of Class A1 and Class A2, Class B1 and Class B2 shares no later than the last day of the month preceding the month in which the redemption day occurs, in the case of Class C1 and Class C2 shares at least three months prior to the redemption day and in the case of Class D1 and Class D2 shares at least six months prior to the redemption day. It is therefore exposed to liquidity risk which is the risk that it will encounter in meeting its obligations associated with its financial liabilities. The Feeder Fund invests substantially all of its assets in the Master Fund. The Master Fund invests in the Thai market which is not as liquid as developed markets. To manage this risk, the Master Fund monitors the liquidity of its portfolio so that most of its investments can be disposed of within the redemption periods set.

#### (e) Interest rate risk

The Feeder Fund invests substantially all of its assets in the Master Fund. Therefore the interest rate risk is at the Master Fund level.

The majority of the Master Fund's financial assets and liabilities are non-interest bearing. As a result, the Master Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates in US Treasury bills with maturities of less than 1 month, so there is no significant interest rate risk.

#### (f) Off-balance sheet risks

The Master Fund enters into investment transactions which may represent both off-balance sheet market risks and off-balance sheet credit risks.

An off-balance sheet market risk exists when the maximum potential loss on a particular investment is greater than the value of such investment, as reflected on the Master Fund's balance sheet.

Off-balance sheet credit risk exists, among other situations, when the collateral received by the Master Fund from the counterparty to an agreement with the Master Fund proves to be insufficient to cover the Master Fund's losses resulting from a default by the counterparty of its obligation to perform under the terms of the agreement.

Transactions in the following instruments represent off-balance sheet market and credit risks associated with the Master Fund's current and/or future portfolio.

**THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008**

**(f) Off-balance sheet risks (continued)**

The Master Fund may sell borrowed securities which are subsequently repurchased and returned to the lender, thereby creating a liability to repurchase the security in the market at prevailing prices. Short selling allows the investor to profit from declines in market prices. The value of such securities sold short is marked to market based on the current value of the underlying security at the date of valuation.

**8 Subsequent events**

From the period 1 January 1 2009 to 28 February 2009 the Feeder Fund had subscriptions of US\$0 and redemptions of US\$13,216,001.

**9 Approval of financial statements**

The financial statements were approved by the Directors for issue on 30 March 2009.