

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

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THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

ADMINISTRATION

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Administrator, Registrar and Company Secretary

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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 Statement of Financial Position as of 31 December, 2010 and the Statement of Comprehensive Income, 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 as to 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 judgement, 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.



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

28 April 2011

Date

BDO

BDO

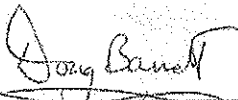
Dublin

Registered Auditors

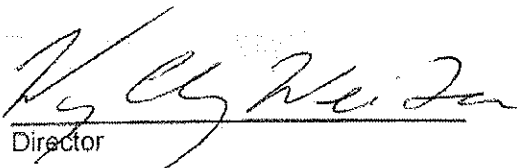
THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	2010 US\$	2009 US\$
Assets			
Investment in Thai Focused Equity Fund Limited	3	27,859,614	14,996,887
Share redemptions receivable		7,753,150	19,649,473
Cash at broker	2 (c)	3,056	1,127,708
Total assets		<u>35,615,820</u>	<u>35,774,068</u>
Liabilities			
Capital payable		7,730,769	20,777,304
Management fee payable	4 (a)	26,387	-
Incentive fee payable	4 (b)	2,447,019	-
Equalisation payable		11,279	-
Other payables		31,532	28,550
Liabilities (excluding net assets attributable to holders of redeemable common shares)		<u>10,246,986</u>	<u>20,805,854</u>
Net assets attributable to holders of redeemable common shares		<u>25,368,834</u>	<u>14,968,214</u>



Director



Director

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

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 US\$	2009 US\$
Revenue		
Net gains on investment in Thai Focused Equity Fund Limited	18,446,681	9,757,636
Expenses		
Other operating expenses	24,933	24,598
Directors' fee	10,000	10,000
Audit fee	11,795	8,100
Management fee 4 (a)	140,664	-
Incentive allocation 4 (b)	2,681,506	-
	<u>2,868,898</u>	<u>42,698</u>
Increase in net assets attributable to holders of redeemable common shares from operations	<u>15,577,783</u>	<u>9,714,938</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 2010

	2010 US\$	2009 US\$
Net assets attributable to holders of redeemable common shares at 1 January	14,968,214	52,316,230
Proceeds from subscription for redeemable common shares	4,893,002	-
Redemption of redeemable common shares	<u>(10,070,165)</u>	<u>(47,062,954)</u>
Net decrease from share transactions	(5,177,163)	(47,062,954)
Increase in net assets attributable to holders of redeemable common shares from operations	15,577,783	9,714,938
Net assets attributable to holders of redeemable common shares at 31 December	<u><u>25,368,834</u></u>	<u><u>14,968,214</u></u>

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

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 US\$	2009 US\$
Cash flows from operating activities:		
Increase in net assets attributable to holders of redeemable common shares from operations	15,577,783	9,714,938
Adjustment for:		
Net change on investment in Thai Focused Equity Fund Limited	<u>(12,862,727)</u>	<u>(9,757,636)</u>
	<u>2,715,056</u>	<u>(42,698)</u>
Increase in other payables	<u>2,487,667</u>	15,275
Net cash outflow from operating activities	<u>5,202,723</u>	<u>(27,423)</u>
Cash flows from investing activities:		
Sale of investments	-	27,440,781
Net cash inflow from investing activities	<u>5,202,723</u>	<u>27,440,781</u>
Cash flows from financing activities:		
Proceeds from redeemable common shares	16,789,325	-
Redemption of redeemable common shares	<u>(23,116,700)</u>	<u>(26,285,650)</u>
Net cash outflow from financing activities	<u>(6,327,375)</u>	<u>(26,285,650)</u>
Net change in cash and cash equivalents	<u>(1,124,652)</u>	1,127,708
Cash and cash equivalents at 1 January	1,127,708	-
Cash and cash equivalents at 31 December	<u>3,056</u>	<u>1,127,708</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 2010**

1 General

Thai Focused Equity U.S. Feeder Fund Limited (the "Fund") was incorporated in the British Virgin Islands on 1 May 2006 and commenced operations on 1 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 Cayman Islands, 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 2010.

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2010**

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.

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 amendments to existing standards effective 1 January 2010

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund with the exception of IFRS 9 Financial Instruments.

(i) IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government related entities. The Fund does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or the entire standard.

(ii) IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity instruments for a fixed amount in any currency. This amendment will have no impact on the Fund after initial application.

(iii) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Fund.

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2010

2 Principal accounting policies (Continued)

(iv) IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. The standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to January 1, 2012, an entity will be exempt from the requirement to restate prior period comparative information. IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortized cost or fair value, replacing the four category classification in IAS 39. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard is not expected to have a significant impact on the financial statements since the Fund's financial assets are designated at fair value through profit or loss.

(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 Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities are recognised in the Statement of Comprehensive Income within the fair value net gain or loss. The prevailing exchange rate from Thailand Baht to United States Dollars was 33.37 as at December 31, 2009 and 33.03 as at December 31, 2010. The prevailing exchange rate from Singapore Dollar to United States Dollars was 1.41 as at December 31, 2009 and 1.28 as at December 31, 2010.

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2010**

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. As at December 31, 2010 the cash balance at JP Morgan Chase Bank was US\$3,056 (2009: US\$1,127,708).

(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, at the unaudited 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 Statement of Financial Position 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 Statement of Financial Position 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 2010

3 Investments

Investments comprise of Class A 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 2010 the Feeder Fund's proportionate interest in the net assets of the Master Fund was 14.27% (2009: 15.28%). The performance of the Feeder Fund is directly affected by the performance of the Master Fund.

At 31 December 2010, the Master Fund's securities portfolio was comprised mainly of listed securities on the Stock Exchange of Thailand.

4 Fees

(a) Investment management basic fee

Under the investment management agreement entered into between the Investment Manager and the Fund in September 2010 (superseding the agreement of June 2009, as amended), the Investment Manager is entitled to receive an investment management fee as follows:

Investor shares (Class A)	1.0% per annum
Manager shares (Class B)	0.0% per annum
Investor shares (Class C)	1.0% per annum
Investor shares (Class D)	1.0% per annum

The investment management fee is calculated by reference to the net asset value and accrued as of the end of each month and is payable on a quarterly basis.

Prior to September 2010 the investment management fee was calculated and paid by the Master Fund by reference to the net asset value and accrued as of the end of each month and was payable on a quarterly basis. As the Feeder Fund invested substantially all of its assets in the Fee Paying Classes of the Master Fund no such fees were charged to the Feeder Fund.

The Investment Manager may, in its sole discretion, waive or rebate the investment management fee paid by certain shareholders affiliated with the Investment Manager or certain large shareholders. For the purpose of administering the waiver/rebate, the Administrator maintains a memo sub-division of each class of shares and classifies them as "Fee paying" shares and "Non-fee paying" shares. Refer to note 6.

Based on the above the Investment Manager was entitled to a management fee of US\$140,664 (2009:Nil) for the year, of which US\$26,387 (2009:Nil) remained payable at year end.

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2010**

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 an 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.

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2010**

(c) Administration fee

Admiral Administration (Ireland) Limited performs general administrative services for the fund. The fee for these services is payable monthly in arrears and accrued on a monthly basis as calculated based on a rate no greater than 12 basis points of the Master Fund's net asset value subject to a minimum charge. Administration fees are allocated at the Master Fund level only.

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 in 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 2010

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 month
Investor share Class C1	1.0%	3 months
Investor share Class C2	1.0%	3 months
Investor share Class D1	1.0%	6 months
Investor share Class D2	1.0%	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	C2 Shares
Balance at 31 December 2010	16,591.5913	9,370.0211	148.2110
	NAV per share	NAV per share	NAV per share
	<u>982.5606</u>	<u>952.5498</u>	<u>952.5498</u>

	A1 Shares	A2 Shares
Balance at 31 December 2009	29,658.71	125.44
	NAV per share	NAV per share
	<u>502.62</u>	<u>487.27</u>

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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.

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 Statement of Financial Position 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 in 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 Citibank, Kasikorn Securities, JP Morgan Chase Bank, IVG Securities, Tisco Securities Company Limited and KGI Securities 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.

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2010**

(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.

(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 have a redemption notice period of 1 month. Class C1 and C2 have a redemption notice period of 3 months. Class D1 and D2 have a redemption notice period of 6 months.

The Feeder Fund is exposed to monthly cash redemptions of redeemable shares. Requests for redemptions shall be honoured 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.

THAI FOCUSED EQUITY U.S. FEEDER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(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 Statement of Financial Position.

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.

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 2011 to 28 February 2011 the Feeder Fund had subscriptions of US\$105,792 and redemptions of US\$113,091.

9 Approval of financial statements

The financial statements were approved by the Directors and authorised for issue on 28 April, 2011.