

# **Castle Alternative Invest AG**

**(a joint stock corporation under the laws of Switzerland)**

## **Offering Circular**

**1'800'000 Registered Shares of CHF 50.-- par value each (the "Shares")**

Swiss Security Number: 509.275

Application will be made for the Shares to be admitted for trading on the Swiss Exchange.

This Offering Circular contains information a prospective investor should know before investing and should be retained for future reference.

**September 29, 1997**

**Lead Manager:** LGT Bank in Liechtenstein Aktiengesellschaft

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## 1. Notice to Investors

This Offering Circular is furnished to potential investors for the purpose of providing information relating to Castle Alternative Invest AG (the "Company"), Pfäffikon/SZ. The description in the Offering Circular of the Articles of Association of the Company and of the other agreements mentioned herein is not complete and is qualified by and subject to the detailed provisions of such documents.

No person has been authorized to give any information or to make any representations not contained in this Offering Circular and any information or representations not contained or incorporated by reference herein must not be relied upon as having been authorized by the Company.

**Investment in the Shares of the Company requires the financial ability and willingness to accept certain risks. See "Investment Risks" contained herein. Each prospective investor should consult his own professional advisers as to the legal, tax, financial or other matters relevant to the suitability of an investment in the Shares of the Company for such investor.**

The distribution of this Offering Circular in certain jurisdictions may be restricted by law. Persons reading this Offering Circular should inform themselves as to (i) the possible tax consequences, (ii) the legal requirements and (iii) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the purchase, holding or disposal of the Shares.

No action has been taken to permit the distribution of the Offering Circular in any jurisdiction where such action is required to be taken. Accordingly, this Offering Circular may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The Shares have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). They may not be offered, sold or delivered within the United States of America or to or for the account or benefit of U.S. persons (as defined in the Securities Act). Accordingly, the offer to subscribe for the Shares is not being made in the United States of America and no offering material with respect to the offering may be distributed or sent to the United States and no Shares may be sold to United States citizens or residents pursuant to this offering.

The Company has not authorized any offer to the public of the Shares in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. The Shares may not be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of such Regulations or otherwise in compliance with all applicable provisions of such Regulations. This document may not be issued or passed on in the United Kingdom except to a person who is of a kind described in Article 11 (3) of The Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise be lawfully issued or passed on.



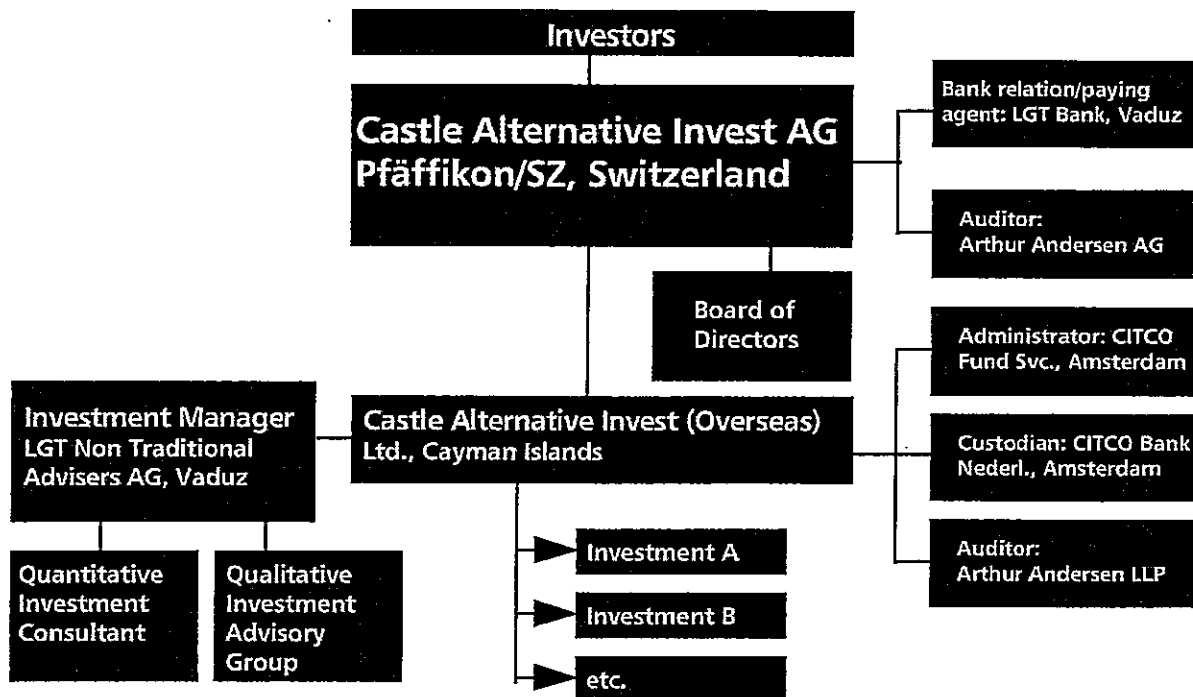
The Company has adopted the so-called "deferred printing of registered shares-model" (*Namenaktien mit aufgeschobenem Titeldruck*) in accordance with the SEGA rules.

The Directors of the Company accept the responsibility for the information contained in this document and have taken all reasonable care to ensure that, to the best of their belief and knowledge, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the importance of such information.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "CHF" are to Swiss Francs and references to "USD" are to United States Dollars.



## 2. Investment Structure



### The Company

Castle Alternative Invest AG, Pfäffikon/SZ, is a corporation duly organized and existing under the laws of Switzerland.

### The Subsidiary

Castle Alternative Invest (Overseas) Ltd., Seven Mile Beach, Grand Cayman, Cayman Islands, is a company duly organized and existing under the laws of the Cayman Islands. The Subsidiary has issued 97'500 voting non-participating management shares of CHF 0.01 par value held by Liechtenstein Global Trust AG Aktiengesellschaft, Vaduz. The Subsidiary has further issued 1'800'000 non-voting participating redeemable ordinary shares of CHF 0.01 par value which are held by the Company.

### Investment Objective and Policy

The Company's investment objective is to maximize the long-term returns to shareholders by investing, through its Subsidiary or through such other subsidiaries as the Company may from time to time establish, in a diversified portfolio of non-traditional investments. For the purpose of this Offering Circular, non-traditional investments means and includes investment funds and other investment structures (together the "Investment Vehicles") which (i) aim for absolute returns, (ii) use a broad range of investment strategies including short sales and leverage, (iii) involve the management with commitment of its own capital and/or receipt of performance-based incentive fees.

Each of the Company and the Subsidiary seeks to achieve this objective by the allocation of the Company's assets to sophisticated money managers and through the diversification of trading styles. No assurance can be given that the Company's investment objective will be achieved and investment results may vary substantially over time. The investment objective and policies are contained in the Investment Objective and Policy enacted by the Board of Directors of the Company from time to time.

Pursuant to a resolution adopted at a general meeting of shareholders on August 14, 1996, the share capital of the Company was increased by the Board of Directors from CHF 125'000.-- to CHF 90'000'000.-- by the issue of 1'797'500 registered shares with a par value of CHF 50.--. The Shares were offered on behalf of the Company by LGT Bank in Liechtenstein Aktiengesellschaft ("LGT Bank") at an issue price of 200% per share until the initial closing, which occurred on September 10, 1996.

In conjunction with the ordinary capital increase, the shareholders' meeting of August 14, 1996 resolved to create a conditional capital of not more than 50% of the Company's aggregate share capital (up to CHF 125'000'000.--). The conditional capital of currently CHF 44'937'500.-- enables the Company to fulfill its obligations under the Warrants (the "Warrants") which were initially attached to the Shares offered. One Warrant was attached to each Share. Two Warrants entitle the holder to subscribe for one Share at the exercise price of CHF 115.-- per Share until September 10, 1998. The Warrants were detached from the Shares on January 3, 1997.

By virtue of a resolution adopted at a general meeting of Shareholders on September 16, 1997, the Board of Directors has been instructed to increase the Share capital by issuing not more than 1'800'000 registered Shares with a par value of CHF 50.--. The Shares are being offered on behalf of the Company by LGT Bank in Liechtenstein Aktiengesellschaft ("LGT Bank") until October 15, 1997. The existing Shareholders are granted a Pre-emptive Right on a one-to-one basis.

## **Listing**

The Company will apply for the admission of the new Shares to the Swiss Exchange.

## **Investment Manager**

LGT Non Traditional Advisers Aktiengesellschaft (the "Investment Manager"), was formed on July 30, 1996, and is wholly owned by Liechtenstein Global Trust AG Aktiengesellschaft, Vaduz, and RMF Holding AG, Pfäffikon/SZ. Pursuant to the Investment Management Agreement entered into



with the Subsidiary, the Investment Manager advises the Subsidiary in view of the investment of the Subsidiary's portfolio in accordance with the Investment Objective and Policy.

**Custody**

LGT Bank is acting as custodian for the Company. LGT Bank and Maerki Baumann & Co. AG, Zurich, are acting as the Company's dividend paying agents.

CITCO Bank Nederland N.V., Amsterdam, is acting as custodian for the Subsidiary.

Each custodian may further employ local custodians to provide local custodial services.

**Administrator**

CITCO Fund Services (Europe) B.V., Amsterdam, is acting as administrator for the Subsidiary and calculates the weekly Net Asset Value of the Subsidiary.





### 3. Definitions

In this Prospectus the following words and phrases have the meanings set forth below:

<b>"Administrator"</b>	means CITCO Fund Services (Europe) B.V., World Trade Center, Tower B, Strawinskylaan 1637, 1007 JE Amsterdam, The Netherlands;
<b>"Articles of Association"</b>	means the Articles of Association of the Company;
<b>"Business Day"</b>	means a day (except Saturday or Sunday) on which banks in Zurich are open for business;
<b>"Company"</b>	means Castle Alternative Invest AG;
<b>"Custodian"</b>	means, as regards the Company, LGT Bank in Liechtenstein Aktiengesellschaft, Herrengasse 12, 9490 Vaduz, Principality of Liechtenstein, and as regards the Subsidiary, CITCO Bank Nederland N.V., World Trade Center, Tower B, Strawinskylaan 1629, 1007 JE Amsterdam, The Netherlands;
<b>"Investment Manager"</b>	means LGT Non Traditional Advisers Aktiengesellschaft, Herrengasse 12, 9490 Vaduz, Principality of Liechtenstein;
<b>"Net Asset Value"</b>	means the Net Asset Value of the Company or the Subsidiary, as the case may be, calculated as described herein;
<b>"Share"</b>	means a registered Share of the Company with CHF 50.-- par value;
<b>"Shareholder"</b>	means a holder of Shares in the Company;
<b>"Subsidiary"</b>	means Castle Alternative Invest (Overseas) Ltd., c/o CITCO Trust Company (Cayman Islands) Limited, Leeward One Building, Safe Haven Corporate Centre, West Bay Road, P.O. Box 31106, Seven Mile Beach, Grand Cayman, Cayman Islands, B.W.I.;
<b>"U.S." or "United States"</b>	means the United States of America, its territories and possessions including the States and the District of Columbia;
<b>"U.S. Person"</b>	means any citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any person falling within the definition of the term "U.S. Person" under Regulation S promulgated under the U.S. Securities Act of 1933 (as amended).



#### **4. Investment Risks**

The following specific risks are brought to the attention of investors, but the list does not purport to be exhaustive.

##### **General Considerations**

Investors should recognize that investing in the Company involves risks and special considerations not typically associated with investing in other securities and that the asset allocation is not structured as a complete investment program. Investments in the Company may not be suitable for all investors.

The Company's assets will be mainly invested in assets denominated in foreign currencies. The value of the assets of the Company and its income, as measured in Swiss Francs, may be affected by fluctuations in currency rates and exchange control regulations.

In the normal course of the business of non-traditional investment vehicles, the Investment Manager and money managers trade various financial instruments and enter into various investment activities with different risk profiles. With respect to the investment strategy utilized by the Investment Manager, there is always some, and occasionally a significant degree of market risk. The Company gives no assurances that its investment objective of maximizing return on investment will be achieved.

##### **Political and/or Regulatory Risks**


The value of the Company's assets may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which the Company's assets are invested.

##### **Currency Risk**

The Net Asset Value per Share is computed in Swiss Francs, whereas the Company's investments may be acquired in currencies other than Swiss Francs. It may not be possible or practicable to hedge against the consequent currency risk exposure. Since the Net Asset Value of the Company is calculated and reported in Swiss Francs, a fluctuation in foreign currencies could substantially impact the performance of the Company.

##### **Market Risk**

The markets and certain investment vehicles in which the Company will invest primarily may prove to be highly volatile from time to time as a result of, for example, sud-



den changes in government policies on taxation and currency repatriation or changes in legislation relating to the level of foreign ownership in companies, and this may affect the price at which the Company may liquidate positions to meet repurchase requests or other funding requirements. Moreover, many emerging markets are undergoing a period of rapid growth and are less regulated than many of the world's leading stock markets. In general, such stock markets are less liquid and the purchase and sale of investments may take longer than may otherwise be expected on developed markets and transactions may need to be conducted at unfavorable prices.

#### **Hedging Risk**

To the extent that the Investment Manager's expectations in employing techniques and instruments for the purpose of hedging against currency or other risks are incorrect, the Company may suffer a loss.

#### **Accounting, Auditing and Financial Reporting Standards**

The accounting, auditing, financial and disclosure requirements and reporting standards applicable to companies in which the Company invests may be less extensive than those applicable to Swiss companies and therefore the financial accounts or information available to the Company or the Investment Manager may not provide the same degree of information to investors as would generally apply internationally.



## 5. Capital Increase

### 5.1. Resolutions adopted at the extraordinary general meeting of Shareholders

Pursuant to the Board of Directors' proposal, on September 16, 1997, an extraordinary general meeting of the Shareholders instructed the Board of Directors to increase the Company's Share capital by issuing Shares as follows (free English translation of the German original):

"The general meeting of shareholders resolves to increase the Share capital from CHF 90'000'000.-- by a maximum of CHF 90'000'000.-- to a maximum of CHF 180'000'000.-- and stipulates the following:

1. a) Total par value by which the Share capital shall be increased: maximum of CHF 90'000'000.--.  
b) Amount payable upon subscription: Shares are fully paid-in.
2. a) Number, par value and kind of the new Shares: maximum 1'800'000 registered Shares with a par value of CHF 50.-- each.  
b) Privileges of certain categories: none
3. a) Each Shareholder is granted a Pre-emptive Right to subscribe for one new Share per each existing Share held. The modalities for the exercise of such Pre-emptive Rights shall be determined by the Board of Directors. Any new Share (i) not subscribed for or (ii) not subscribed for within the subscription period fixed by the Board of Directors shall be freely placed by the Board of Directors.  
b) The issue price of both (i) the new Shares subscribed for by the existing Shareholders upon exercise of their Pre-emptive Right and (ii) the new Shares freely placed by the Board of Directors shall be determined by the Board of Directors.  
c) Commencement of dividend rights: Business year 1996/1997
4. Manner of payments: in cash for all new Shares.
5. Transfer restrictions of the new registered Shares: The transfer of the new registered Shares is restricted in accordance with Art. 5 of the Articles of Association. Such transfer restrictions shall, however, not be enforced in respect of the distribution of the new Shares under this ordinary capital increase."



## **5.2. Subscription offer**

Based on the resolutions of the extraordinary general meeting of Shareholders on September 16, 1997 and on a circular resolution of the Board of Directors of August 25, 1997, an offer to subscribe for new Shares is being made to the existing Shareholders (the "Rights Issue"). New Shares that have not been subscribed for by the existing Shareholders by the exercise of their Pre-emptive Rights will be offered to the public (the "Public Offering").

### **5.2.1. The Rights Issue**

The holders of existing Shares of the Company have been allotted rights (the "Pre-emptive Rights") to subscribe for new Shares attached as described below:

#### **Pre-emptive Right**

1 existing registered Share entitles the holder thereof to subscribe for

1 new registered Share with a nominal value of CHF 50.--, with dividend entitlement of the 1996/1997 financial year.

#### **Subscription Period**

September 29, 1997 to October 15, 1997, 12.00 noon

#### **Subscription Price**

The subscription price per new Share under the Rights Issue as well as under the Public Offering (the "Subscription Price") will be determined by the Board of Directors on October 15, 1997 at 5 p.m. as follows:

Subscription Price = 0.98 multiplied by the arithmetic average of the Share's closing prices quoted on the trading days from October 9, 1997 up to and including October 15, 1997 on the Swiss Exchange, rounded to the next CHF 0.50. The closing price is defined as the last-traded price on a trading day as determined by the Swiss Exchange. The Subscription Price shall in any event be at least the par value of the new Shares.

Notification of the determined Subscription Price will be made to the subscribers. Furthermore the Subscription Price will be published on October 17, 1997 in the following newspapers: "Schweizerisches Handelsamtsblatt" and "Neue Zürcher Zeitung".

The Swiss Federal stamp duty of 2% due upon the issuance of the new Shares will be paid by the Company. LGT Non Traditional Advisers Aktiengesellschaft will receive a Lead-Management Fee of CHF -.50 per Share as compensation for constructing and managing the offering. LGT Bank will receive a



Sales Fee of CHF 1.50 per Share as compensation for its services rendered in connection with the offering.

The record date for the determination of holders of Shares entitled to receive Pre-emptive Rights to subscribe for new Shares is September 17, 1997 (the "Record Date"). The existing Shares will be traded ex- Pre-emptive Right as from September 18, 1997. The Pre-emptive Rights will be allotted to the holders of Shares as follows:

**Allotment of Pre-emptive Rights**

Holders will be allotted Pre-emptive Rights through their depository bank.

Each Pre-emptive Right entitles its holder to subscribe for one Share in the manner and on the terms and conditions set forth herein. Shareholders may only exercise their Pre-emptive Rights as follows:

**Exercise of Pre-emptive Rights**

Holders of Pre-emptive Rights must subscribe for new Shares by surrendering to their depository bank the completed and duly signed subscription form with the instruction to subscribe for new Shares on their behalf.

The exercise of Pre-emptive Rights is irrevocable and may not be canceled, modified, rescinded or withdrawn by the subscriber. Pre-emptive Rights may only be exercised in the manner set forth above. Holders of Pre-emptive Rights may not send any notices, vouchers, money or coupons to the Company directly. Only subscription forms in the form provided by LGT Bank will be accepted.

**Trading of Pre-emptive Rights**

Pre-emptive Rights will not be traded. New Shares that have not been taken up by the existing shareholders under the exercise of their Pre-emptive Rights will be offered to the public as described in "Public Offering" hereinafter.

**Payment date**

Payment of the Subscription Price must be received by LGT Bank by October 20, 1997 (the "Payment Date").

Payment should be made through the bank through which Pre-emptive Rights have been exercised. Subscriptions for which LGT Bank has not received payments by October 20, 1997 are null and void.

**Delivery of new Shares**

The Shares are evidenced in form of the so-called "deferred printing of registered shares-model" (*Namenaktien mit aufgeschobenem Titeldruck*) in accordance with the SEGA rules.

**5.2.2. The Public Offering**

New Shares that have not been subscribed for existing Shareholders in exercising their Pre-emptive Rights will be offered for public subscription.

**Subscription Period**

September 29, 1997 to October 15, 1997, 12.00 noon

**Subscription Price**

The subscription price per new Share under the Rights Issue as well as under the Public Offering will be determined by the Board of Directors on October 15, 1997 at 5 p.m. as set out above in section 5.2.1.:

The Swiss Federal stamp duty of 2% due upon the issuance of the new Shares will be paid by the Company. LGT Non Traditional Advisers Aktiengesellschaft will receive a Lead-Management Fee of CHF -.50 per Share as compensation for constructing and managing the offering. LGT Bank will receive a Sales Fee of CHF 1.50 per Share as compensation for its services rendered in connection with the offering.

To subscribe for new Shares in the Public Offering a completed and duly signed subscription form must be presented on time to LGT Bank or to any other bank in Switzerland. Such subscription is irrevocable and may not be canceled, modified, rescinded or withdrawn by the subscriber. Only subscription forms in the form provided by LGT Bank will be accepted.

**Allocation of new Shares**

Allocation will be made by LGT Bank after the end of the Subscription Period. If the subscriptions in the Public Offering exceed the number of new Shares available for the Public Offering, LGT Bank is authorised to reduce the allocation accordingly.

Notification of the determined Subscription Price and the number of Shares allotted will be made to the subscribers (according to the address on the subscription form) after the end of the Subscription Period. Furthermore the Subscription Price will be published on October 17, 1997 in the following newspapers: "Schweizerisches Handelsamtsblatt" and "Neue Zürcher Zeitung".

**Payment Date:**

Subscription Price must be received by LGT Bank by the Payment Date.

Payment should be made through the bank which has received the subscription. Subscriptions for which the Subscription Agent has not received payments by October 20, 1997 are null and void.

**5.2.3. Registration**

Following the Payment Date the Board of Directors of the Company will ascertain the increase of the Share capital and arrange for its entry in the Register of Commerce of the Canton of Schwyz. As soon as such entry has been confirmed by the Register of Commerce of the Canton of Schwyz, the new Shares will be delivered into collective custody at SEGA, Swiss Effekten-Giro AG.

The new Shares will be fully fungible with the existing Shares.





## 6. The Company

### 6.1. General Information

#### **Name, registered office and duration**

The Company is a duly organized joint stock corporation established for an indefinite period in the Canton of Schwyz, Switzerland, by deed dated July 24, 1996. The Company was registered in the Commercial Register of the Canton of Schwyz on July 30, 1996.

The registered office of the Company is located at Poststrasse 4, 8808 Pfäffikon/SZ. The first financial year end of the Company will be December 31, 1997.

#### **Purpose**

The purpose of the Company, as stated in Article 2 of the Company's Articles of Association, is as follows (free English translation of the German original):

The Company's purpose is the direct or indirect acquisition, the continuous management and the sale of participations in domestic and foreign companies which invest in non-traditional investments (among other things in so-called hedge funds and similar investments), in particular the holding of the shares of Castle Alternative Invest (Overseas) Ltd. The Company may create branches and other subsidiaries in Switzerland and abroad and may acquire participations in other companies. The Company may engage in any commercial, financial and other business falling directly or indirectly within the scope of its activity.

#### **Board of Directors**

The Board of Directors is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to third parties, subject to supervision and direction by the Directors. The Directors are listed below with their principal occupations.

**Prince Philipp von und zu Liechtenstein** (citizen of the Principality of Liechtenstein, residing in Vaduz Castle, Principality of Liechtenstein, born 1946) studied history and social sciences at the Universities of Bonn and Basle. His professional career led him to assignments with Hambros Bank, London, Agents de change Gorgeu-Percquel-Kruckner, Paris, and Banque Rothschild, Paris. Prince Philipp founded and was Executive Director of HORUS International, Paris, a company specialized in international commerce and investments. In 1979 he became Chairman of the Supervisory Board of Liechtensteinische Landesbank, Vaduz. Prince Philipp left this posi-



tion in 1981 in order to become Vice Chairman of the Board of Directors of LGT Bank, Vaduz. Since 1990 he holds the position of Chairman of the Board of Directors and Chief Executive Officer of Liechtenstein Global Trust AG AG.

**Dr. Anton Schwaiger** (Austrian citizen, residing in Zurich, Switzerland, born 1944) received a Ph.D. in law from the University of Vienna. Dr. Schwaiger began his professional career at Creditanstalt-Bankverein, Vienna, after which he joined Management Data Datenverarbeitungs- und Unternehmensberatungsgesellschaft, Vienna. He later became Head of Strategic Planning for Bayerische Hypotheken- und Wechselbank, Munich, and then joined Union-Investment-Gesellschaft, Frankfurt, to head the Sales and the Specialty Fund Business Department. In 1985 he was named Head of the Investment Sector for SGZ Bank, Frankfurt. In 1987 Dr. Schwaiger joined Liechtenstein Global Trust AG AG as Director of LGT Invest Kapitalanlagegesellschaft, Frankfurt. He subsequently became Managing Director of LGT Bank in Liechtenstein (Deutschland) GmbH, Frankfurt. In 1995 Dr. Schwaiger was appointed to President of the Private Banking Division and to the Executive Management Group of Liechtenstein Global Trust AG. Dr. Schwaiger is also a member of the Board of Directors of Liechtenstein Global Trust AG.

**Rolf Kaelin** (Swiss citizen, residing in Fruthwilen, Switzerland, born 1953) completed his undergraduate studies at the commercial college of St. Gall and his executive studies at Hendon College, England, and The Wharton Business School, Philadelphia. During his professional career, Mr. Kaelin was with Chemical Bank International, London, as Head of Sales and Eurobonds Syndicate. Later Mr. Kaelin was Managing Director of Leu Securities, London, and was subsequently promoted to Head of the Securities Dealing Division and Overall Bank Sales for Bank Leu, Zurich. He joined Credit Suisse, Zurich, to become Deputy Head of the Division for Group Securities Sales. He then moved on to Dresdner Bank, Munich, to become Director of the Securities Department. Mr. Kaelin has been with Liechtenstein Global Trust AG since 1993. He began as Chief Executive Officer of LGT Asset Management, Zurich. In 1995 he was appointed to the position of Director of Corporate Development. Mr. Kaelin is also a member of the Advisory Board of Liechtenstein Global Trust AG.

**Dr. Konrad Bächinger** (Swiss citizen, residing in Sevelen, Switzerland, born 1950) received a Ph.D. in law from the University of Zurich. He began his career as an attorney for a private legal practice. He subsequently became a legal counsel

for St. Gallische Creditanstalt in St. Gall and was named Head of the Legal Department at Adolph Saurer company, Arbon. Dr. Bächinger has been working for LGT Bank, Vaduz, since 1984. In 1990 he was appointed to the Executive Board and Head of Business Sector of Commercial Banking and Legal Matters. Dr. Bächinger is a member of the Advisory Board of Liechtenstein Global Trust AG.

**Rainer-Marc Frey** (Swiss citizen, residing in Wollerau, Switzerland, born 1963) studied business and banking at the St. Gall Graduate School of Business and Administration („HSG“), Switzerland. After Business School, Mr. Frey joined Merrill Lynch where he performed various international assignments, the most important being the setting-up of Merrill Lynch's Covered Warrant effort in London during 1988. In 1989 he returned to Switzerland to start-up the trading operation for Salomon Brothers in Zurich and became Director in Trading for both Salomon Brothers in Zurich and Frankfurt. He has a proven track record in having set-up three equity derivatives units from start. In 1991 Mr. Frey was promoted to the position of the International Equity Syndicate Manager at Salomon Brothers International in London. He left Salomon Brothers in January 1992 to become a Managing Partner of RMF Trading AG.

#### **Auditors**

Arthur Andersen AG, Binzmühlestrasse 14, 8050 Zurich, Switzerland.

#### **6.2. Capital**

##### **Share Capital**

The Company's capital consists of registered Shares. As of the date of this Offering Circular, 1'800'000 registered Shares with a nominal value of CHF 50.-- each are issued and outstanding.

##### **Pecuniary and Voting Rights**

The Shares rank equally as to dividends and all other pecuniary rights associated with the ownership of Shares in accordance with their par value. Each Share entitles the holder to exercise one vote. Voting rights are exercised at general meetings of Shareholders at which resolutions must be passed by an absolute majority of the votes allocated to the Shares represented at the Shareholders' meetings, except as provided otherwise by the Articles of Association or by Swiss Company Law for certain important resolutions, such e.g. as the withdrawal of Shareholders' preemptive rights or the creation or increase of authorised or conditional capital, which require the approval of at least two-thirds of the votes represented and the absolute majority in terms of the par value of the Shares represented. In the event of liquidation of the Company, each Share is entitled



to its proportion of the Company's assets after deduction of all debts and expenses in accordance with the applicable laws.

Changes in the Company's capital and variation of Shareholders' rights can only be effected by vote of a general meeting of Shareholders.

<b>Transfer Restrictions</b>	The transfer of the Shares is restricted in accordance with Art. 5 of the Articles of Association.
<b>Shareholder Meetings</b>	Annual general meetings will be held in Switzerland on such date and in such place as the Directors may determine, but within 6 months of the close of the fiscal year.
<b>Notice to Shareholders</b>	Notices convening each annual general meeting will be published in the Swiss Commercial Gazette not later than twenty days before the day fixed for the meeting.
<b>Share Register</b>	The Share Register will be kept at the offices of the Company.
<b>Art. 32 and 52 SESTA</b>	The Company has stated in its Articles of Association that an offeror who acquires a certain threshold amount of Shares shall not be required to make a public offer to acquire all the listed securities of the Company pursuant to Art. 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading ("SESTA") of March 24, 1995, which provisions have been in force since February 1, 1997.
<b>Printing of the Certificates</b>	<p>The Shares have been accepted for clearance through SEGA under Swiss Security Number 509.275 and Euroclear and Cedel under the Common Code XS6910378. Neither SEGA, Euroclear nor Cedel will monitor any restrictions on ownership or transfer of Shares.</p> <p>On September 16, 1997 the general meeting of Shareholders resolved to amend Article 4 para. 1 and 2 of the Articles of Association and to implement the so-called "deferred printing of registered shares-model" in accordance with the SEGA rules.</p>
<b>Replacement of Lost or Mutilated Certificates</b>	A lost or destroyed Share certificate, if printed, may be replaced, at the Shareholder's written request, by a duplicate certificate under such conditions and indemnities as the Board of Directors of the Company shall determine, including a bond delivered by an insurance company. A mutilated Share certificate may be exchanged for a duplicate certificate upon the delivery of the mutilated certificate to the Company. All related costs shall be borne by the respective Shareholder.



<b>Shareholders' equity</b>	The unaudited consolidated shareholders' equity of the Company per June 30, 1997 amounts to CHF 190'205'000.--.
<b>Own shares</b>	At the date hereof, neither the Company nor the Subsidiary holds directly or indirectly own Shares.
<b>Major shareholders</b>	At the date hereof, the Company has the following major shareholders: Schweizerische Lebensversicherungs- und Rentenanstalt, Zürich with more than 20% of shares; Schweizerische Bankgesellschaft, Zürich with more than 10% of shares; Stiftung Fürst Liechtenstein II, Vaduz with more than 5% of shares.

### **6.3. Administration of the Company/Determination of Net Asset Value**

<b>Definition</b>	The Net Asset Value ("NAV") per Share is calculated by the Investment Manager by dividing the value of the net assets of the Company (the value of its assets less its liabilities including borrowings - excluding shareholders' equity) by the total number of Shares outstanding. The Net Asset Value shall be expressed in Swiss Francs. The Net Asset Value per Share on September 19, 1997 amounted to CHF 112.82.
<b>Time delay</b>	The Assets of the Company are through the Subsidiary invested in funds which are not regularly traded on an exchange and investors should recognize that the calculation of the Net Asset Value is based on indicative values and therefore may contain only limited information about the true and actual value of the Assets of the Company. The determination of the Net Asset Value depends on the periodicity of the reporting of the respective fund managers. They report the value of the respective portfolio on a daily, weekly or monthly basis. The reported value may reflect a value prior to the reporting date.
<b>Estimated Net Asset Value</b>	<p>The Company intends to calculate an estimated Net Asset Value per Share in Swiss Francs on a weekly basis. Arthur Andersen, Zurich, will review the calculation of the Net Asset Value at least on an annual basis. The weekly NAV computation will not be reviewed by Arthur Andersen.</p> <p>The Estimated Net Asset Value might not correspond to the real Net Asset Value due to the different reporting periodicity of the Fund Managers and a possible high degree of volatility of the underlying assets. Furthermore a Fund Manager might not be able to redeem the assets entrusted to his fund within the time frame indicated in his offering memorandum and could therefore substantially impact the performance.</p>



### **Suspension**

The Company may temporarily suspend the determination of the Net Asset Value in certain circumstances such as, including but not exclusively limited to, when trading on certain stock exchanges and/or foreign exchanges is restricted or suspended or if purchases and sales of the Company's assets cannot be reasonably effected at normal rates of exchange, when the disposal of the assets of the Company and the repatriation of funds are not reasonably practicable as a result of political, economical, military or monetary events or any other circumstances outside the reasonable control of the Company, or in the case of a breakdown in the normal means of communication used for the calculation of an investment of the Company or if, for any reason, the value of any asset of the Company may not be reasonably determined as rapidly and accurately as required.

### **Valuation procedures of the Subsidiary**

The administrator of each fund the Company invested in, reports on a regular basis (daily, weekly or monthly) the respective fund's net asset values. The Subsidiary's Administrator calculates the net asset value of the Subsidiary on a weekly basis. In case the Administrator does not receive a valuation of the fund invested in, the last available net asset value is used. The calculation will take into consideration on a pro rata basis all fees and expenses, such as custody, administration, management fee and performance fee etc. incurred by the Subsidiary. The Net Asset Value of the Subsidiary established by the Subsidiary's Administrator is communicated to the Investment Manager for calculation of the NAV of the Company.

### **Valuation procedures of the Company**

The Investment Manager receives the Net Asset Value or intrinsic value of the Subsidiary by the Subsidiary's Administrator on a weekly basis. The Investment Manager will take into consideration on a pro rata basis all assets and liabilities including the reported Net Asset Value or intrinsic value of the Subsidiary, accrued estimated expenses as well as accrued estimated incomes (e.g. interest on cash, if any), held by the Company to calculate the Estimated Net Asset Value. Expenses incurred with the capital increase including Federal Issue Stamp Duty will be amortized over a period not exceeding five years. The NAV of the Company is computed by using a pro-forma valuation spreadsheet. The NAV per Share is computed by dividing the NAV of the Company by the number of Shares outstanding.

The description of policies and procedures at the Subsidiary's Administrator as well as the Investment Manager and any projection of such information into the future is subject to the risk



that, because of change, the description might no longer portray the system in existence. The potential effectiveness of specific policies and procedures at the Subsidiary's Administrator or the Investment Manager is subject to inherent limitations and accordingly, errors or irregularities may occur and not be detected.

#### **Publication of the Net Asset Value and the Price of the Shares**

The Company intends to publish an Estimated Net Asset Value on Reuters (Page "LGTY" provided by LGT Bank in Liechtenstein, Vaduz) and the Finanz- und Wirtschaft (Section „Innere Werte“). Investors should recognize that the weekly calculation in some cases is based on indicative values and therefore may contain only limited information about the true and actual value of the net assets of the Company.

The price of the Shares is published daily on Telekurs, Reuters, Bloomberg and the financial press.

The Company will furthermore as long as permitted by the hedge fund managers:

- publish the composition of the substantial holdings every three months;
- publish the balance sheet, profit and loss account and statutory auditors' report annually;
- publish general information on the Company via Telekurs, Reuters, Bloomberg and the financial press;
- publish performance of the Net Asset Value every three months in the period under review;
- publish proportionate development of the cash positions every three months in the period under review;
- publish information on currency hedge positions every three months;
- publish information on provisions for value adjustments of investments;
- publish information on drawn credits of the Company or the Subsidiary.

Shareholders may obtain reports free of charge by addressing their request in writing to the Company.

#### **Dividend Policy**

It is the current intention of the Directors to propose to the Shareholders' meeting not to declare any dividends and to reinvest any amounts available for distribution in accordance with the investment policy of the Company. The Articles of Association provide however that distributions may be made out of net profits.



#### **6.4. Business Year and Financial Statements**

<b>Business Year</b>	The Company's business year commences on January 1 and ends on December 31 of each year. The first business year of the Company will end on December 31, 1997, beginning on the date of incorporation. For the first business year, costs, fees and expenses which are based on a business year shall be calculated <i>pro rata temporis</i> .
<b>Accounting Standards</b>	The Company's statutory and consolidated statements are expressed in Swiss Francs and the consolidated statements are prepared in conformity with International Accounting Standards (IAS).
<b>Reports to Shareholders</b>	The Company will make available to Shareholders, upon request, audited annual and unaudited semi-annual financial statements and such other material as is required by applicable laws. The first audited accounts will be made up to December 31, 1997 and thereafter audited accounts will be prepared to December 31 of each year. The audited accounts as of December 31 of each year are made available to the public by the Company.

#### **6.5. Share Price Development**

The Shares of the Company are listed on the Swiss Exchange since April 10, 1997.

<b>1997</b>	<b>High/Low in CHF</b>
April	110.-- / 104.--
May	110.-- / 107.50
June	109.-- / 107.50
July	113.-- / 108.--
August	115.50 / 113.--
September	116.-- / 113.50 (up to September 19)

The closing price of the Shares on the Swiss Exchange on September 19, 1997 was CHF 116.--.





**6.6 Audited Interim Financial Statements as of September 20, 1996**

**CASTLE ALTERNATIVE INVEST AG, PFÄFFIKON**

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**FINANCIAL STATEMENTS AS OF SEPTEMBER 20, 1996**

**TOGETHER WITH STATUTORY AUDITOR'S REPORT**



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Binzmühlestrasse 14  
8050 Zürich

**Report of the statutory auditors**  
to the Board of Directors of  
Castle Alternative Invest AG, Pfäffikon

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Castle Alternative Invest AG for the period from July 24, 1996 (date of incorporation) to September 20, 1996 (date of investment in subsidiary).

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

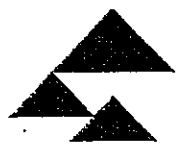
In our opinion, the accounting records and financial statements comply with the law and the company's articles of incorporation.

ARTHUR ANDERSEN AG

Thomas Rufer

Dr. Dominik Meyer

Zurich, January 16, 1997

BALANCE SHEET AS OF SEPTEMBER 20, 1996

(Amounts in '000 Swiss Francs)

ASSETS

## CURRENT ASSETS:

Due from banks, sight	5,470
Other accounts receivable	10
	<hr/>
	5,480
	<hr/>

## FIXED ASSETS:

Financial assets - Investments	171,000
Intangible assets - Incorporation costs	7,337
	<hr/>
	178,337
	<hr/>

Total assets	183,817
	<hr/> <hr/>

LIABILITIES AND SHAREHOLDERS' EQUITY

## SHORT-TERM LIABILITIES:

Accrued expenses and tax provision	3,798
	<hr/>
	3,798
	<hr/>

## SHAREHOLDERS' EQUITY:

Share capital	90,000
General reserve	90,000
Profit for the period	19
	<hr/>
	180,019
	<hr/>

Total liabilities and shareholders' equity	183,817
	<hr/> <hr/>

The accompanying notes are an integral part of this balance sheet.



STATEMENT OF INCOME FOR THE PERIOD

FROM JULY 24, 1996 TO SEPTEMBER 20, 1996

(Amounts in '000 Swiss Francs)

OPERATING REVENUE

Interest income	77
-----------------	----

OPERATING EXPENSES

Amortisation of incorporation costs	41
-------------------------------------	----

Other operating expenses	9
--------------------------	---

50

Net profit before taxes	27
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Taxes	8
-------	---

Net profit for the period	19
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===

The accompanying notes are an integral part of this statement.



NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30 1996

1. General

Castle Alternative Invest AG, Pfäffikon (the Company), is an investment company incorporated as a stock company for an indefinite period in the Canton of Schwyz, Switzerland, by deed dated July 24, 1996. The Company was registered in the Commercial Register of the Canton of Schwyz on July 30, 1996. On September 13, 1996 the share capital has been increased to CHF 90,000,000.

The Company business will principally be conducted through a subsidiary, Castle Alternative Invest (Overseas), a company incorporated as an exempted company under the laws of the Cayman Islands or other subsidiaries as the Company may establish from time to time.

The Group's investment objective is to maximize the long-term returns to shareholders by investing, through its subsidiary or through such other subsidiaries as the Company may establish from time to time, in a diversified portfolio of non-traditional investments.

Non-traditional investments means and includes investment funds and other investment structures (together the "Investment Vehicles") which aim for absolute returns, use a broad range of investment strategies including short sales and leverage. These investments involve the management with commitment of its own capital and/or receipt of performance-based incentive fees. These Investment Vehicles are subject to a high degree of risk.

At present, the business activity described above has not commenced. The funds of the subsidiary are currently invested in short term deposits.

The Group's assets will be mainly invested in assets denominated in foreign currencies. The value of the assets of the Group and its income, as measured in Swiss Francs, may be substantially affected by fluctuations in currency rates.



## 2. Accounting principles

### a) Investment

Investments in subsidiaries are stated at acquisition cost or, in case of a permanent impairment of the value of the subsidiaries, at the lower net realisable value.

### b) Intangible assets

Capitalized costs in connection with the incorporation and issuance of shares included in intangible assets are amortized on a straight-line basis over a period of five years.

## 3. Significant Investments

Name:	Castle Alternative Invest (Overseas) Limited, Grand Cayman
Share Capital (CHF '000):	171,000

The share capital of Castle Alternative Invest (Overseas) Ltd is divided into voting non-participating management shares (97,500 shares of CHF 0.01 par value) and participating non-voting ordinary shares (1,800,000 shares of CHF 0.01 par value, issued with a share premium of CHF 94.99). The Company holds the participating non-voting ordinary shares.

## 4. Taxes

The Company is taxed as a holding company and is as such only liable for Swiss federal and cantonal/communal capital taxes. The actual tax expenses cover all capital taxes through September 20, 1996.

## 5. Shareholders Equity

The following summarizes the movements in shareholders' equity for the period ended September 20, 1996 (in CHF '000):

	<u>Share Capital</u>	<u>General Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Foundation	125	125		250
Capital Increase	89,875	89,875		179,750
Net Profit			19	19
At Sept. 20, 1996	<u>90,000</u>	<u>90,000</u>	<u>19</u>	<u>180,019</u>

The share capital is comprised of 1,800,000 registered shares of CHF 50.- par value.



6. Conditional increase of capital

The company can issue additional share capital in the amount of maximum CHF 44,937,500 or 898'750 registered shares at a par value of CHF 50.-. The contingent capital will be issued through the exercise of outstanding warrants that have been granted to the shareholders in connection with the capital increase. Two warrants are eligible to buy one registered share at a strike of CHF 115.- during the period from January 1, 1997 to September 10, 1998.



CASTLE ALTERNATIVE INVEST AG, PFÄFFIKON  
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CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 20, 1996



**Report of the group auditors**

to the Board of Directors of

Castle Alternative Invest AG, Pfäffikon

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Binzmühlestrasse 14  
8050 Zürich

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of cash flows, income statement and notes) of Castle Alternative Invest AG for the period from July 24, 1996 (date of incorporation) to September 20, 1996 (date of investment in subsidiary).

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Accounting Standards (IAS) and comply with the law.

ARTHUR ANDERSEN AG

Thomas Rufer

Dr. Dominik Meyer

Zurich, January 16, 1997

CONSOLIDATED BALANCE SHEETAS OF SEPTEMBER 20, 1996

(Amounts in '000 Swiss Francs)

<u>ASSETS</u>		<u>Note</u>	
CURRENT ASSETS:			
Cash at bank	2		5,570
Balances due from banks	2		170,900
Other current assets	3		11
			<hr/>
Total current assets			176,481
LONG TERM ASSETS:			
Incorporation costs	4		7,359
			<hr/>
Total assets			183,840
			<hr/> <hr/>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Other liabilities	5		3,820
			<hr/>
Total current liabilities			3,820
			<hr/>
SHAREHOLDERS' EQUITY:			
Share capital	6		90,000
Additional paid-in capital	6		90,000
Retained earnings	6		19
			<hr/>
			180,019
Minority interests			1
			<hr/>
Total liabilities and shareholders' equity			183,840
			<hr/> <hr/>

The accompanying notes are an integral part of this balance sheet.



CONSOLIDATED INTERIM STATEMENT OF INCOME

FOR THE PERIOD FROM JULY 24, 1996 TO SEPTEMBER 20, 1996

(Amounts in '000 Swiss Francs)

	<u>Note</u>	
INCOME		
Interest income		77
		<hr/>
EXPENSES		
Other operating expenses		9
Amortization of incorporation costs		41
		<hr/>
		50
		<hr/>
Net profit before taxes		27
Taxes	7	8
		<hr/>
Net profit for the period		19
		<hr/> <hr/>

The accompanying notes are an integral part of this statement.



CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM JULY 24, 1996 TO SEPTEMBER 20, 1996

(Amounts in '000 Swiss Francs)

CASH FLOWS FROM OPERATING ACTIVITIES:

Income on ordinary activities before taxes 27

Adjustments for:

Amortization of incorporation costs 41

Operating income before changes in operating assets 68

Increase in operating assets (10)

Increase in operating liabilities 7

Net cash from operating activities 65

CASH FLOWS FROM FINANCING ACTIVITIES:

Expenses paid relating to share capital increase (3,595)

Issuance of share capital 180,000

Net cash from financing activities 176,405

NET INCREASE IN CASH AND CASH EQUIVALENTS 176,470  
=====

CASH AND CASH EQUIVALENTS, beginning of period -

CASH AND CASH EQUIVALENTS, end of period 176,470  
=====

CASH AND CASH EQUIVALENTS CONSIST OF THE  
FOLLOWING AT SEPTEMBER 20, 1996

Cash at banks 5,570

Balances due from banks, at time < 30 days 900

Balances due from banks, at time < 90 days 170,000

176,470  
=====

The accompanying notes are an integral part of this statement.

CASTLE ALTERNATIVE INVEST AG, PFÄFFIKONSUMMARY OF ACCOUNTING POLICIES FOR THE CONSOLIDATED  
FINANCIAL STATEMENTS**Accounting convention**

For consolidation purposes, Castle Alternative Invest AG and its subsidiary company (the Group) prepare financial statements using the historical cost convention.

**Basis of presentation**

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards (IAS) and the Swiss Code of Obligations.

**Basis of consolidation**

The consolidated financial statements include all the assets and liabilities of Castle Alternative Invest AG and the subsidiary which it controls. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50 % of the voting rights of a company's share capital or where there is the power to govern the financial and operating policies of the enterprise under a statute or agreement. All material intercompany transactions and balances are eliminated.

**Foreign currency translation**

All monetary assets and liabilities of Group companies reporting in currencies other than Swiss Francs are translated to Swiss Francs using period-end exchange rates. Income and expenses are translated at the average exchange rates for the period. Differences arising from the translation of foreign currency financial statements into Swiss Francs are taken directly to retained earnings.

**Foreign currency transactions**

Transactions during the year in foreign currencies are translated into the respective local currencies at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective local currencies at the exchange rates prevailing at the period-end date. Exchange gains and losses are included in the statement of income.

**Securities**

Investments in funds and other investment vehicles are stated at fair value with changes in fair value recorded in the statement of income.



Taxes are provided based on reported income and include taxes on capital. Taxes also include non-recoverable tax withheld on interest and dividends.

The Group provides for deferred taxes using the comprehensive liability method. Provision is made in respect of all temporary differences arising between the tax values of assets and liabilities and their values in the consolidated financial statements. Provision is made against deferred tax assets to the extent that it is probable that these will not be realized. Deferred tax balances are adjusted for subsequent changes in tax rates or for new taxes imposed. Deferred tax liabilities are included under provisions.

Non-recoverable withholding taxes on distributable retained earnings are only accrued if distribution by the subsidiary company is probable.

#### Incorporation costs

Capitalized costs in connection with the incorporation and issuance of shares included in intangible assets are amortized on a straight-line basis over a period of five years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and business activity

Castle Alternative Invest AG, Pfäffikon (the Company), is a duly organized joint stock corporation established for an indefinite period in the Canton of Schwyz, Switzerland, by deed dated July 24, 1996. The Company was registered in the Commercial Register of the Canton of Schwyz on July, 30, 1996. The Company's business will principally be conducted through a subsidiary, Castle Alternative Invest (Overseas) Ltd. (the Subsidiary), a company incorporated as an exempted company under the laws of the Cayman Islands or other subsidiaries as the Company may establish from time to time.

The Castle Alternative Invest Group (Group) currently consists of Castle Alternative Invest AG, Pfäffikon and Castle Alternative Invest (Overseas) Ltd., Cayman.

The share capital of Castle Alternative Invest (Overseas) Ltd., Cayman is divided into voting non-participating management shares (97,500 shares of CHF 0.01 par value) and participating non-voting ordinary shares (1,800,000 shares of CHF 0.01 par value, issued with a share premium of CHF 94.99). The Company holds 100 % of the participating non-voting ordinary shares.

The Group's investment objective is to maximize the long-term returns to shareholders by investing, through its Subsidiary or through such other subsidiaries as the Company may establish from time to time, in a diversified portfolio of non-traditional investments. Non-traditional investments means and includes investment funds and other investment structure (together the "Investment Vehicles") which aim for absolute returns, use a broad range of investment strategies including short sales and leverage. These investments involve the management with commitment of its own capital and/or receipt of performance-based incentive fees. These Investment Vehicles are subject to a high degree of risk. At present, the business activity described above has not commenced. The funds are currently invested in short term deposits.

The Group's assets will be mainly invested in assets denominated in foreign currencies. The value of the assets of the Group and its income, as measured in Swiss Francs, may be substantially affected by fluctuations in currency rates.

2. Balance due from bank

		<u>Sept. 20, 1996</u>
	<u>max. 30 days</u>	<u>max. 90 days</u>
	CHF '000	CHF '000
Due from banks		
- sight	5,570	-
- time	900	170,000
	<hr/>	<hr/>
Total due from banks	6,470	170,000
	=====	=====

3. Other assets

	<u>Sept. 20, 1996</u>
	CHF '000
Tax receivables and other assets	11
	<hr/>
	11
	=====

4. Incorporation costs

	<u>Sept. 20, 1996</u>
	CHF '000
Initial costs	7,400
Amortization for the period	(41)
	<hr/>
	7,359
	=====

5. Other liabilities

	<u>Sept. 20, 1996</u>
	CHF '000
Accrued expenses	7
Accrued costs for capital increase	3,805
Provision for capital tax	8
	<hr/>
	3,820
	=====





## 6. Shareholders' equity

The share capital of Castle Alternative Invest AG at September 20, 1996 amounts to CHF 90,000,000, consisting of 1,800,000 registered shares with a par value of CHF 50 each.

Each share entitles the holder to participate in any dividends which may be declared and in the proceeds from eventual liquidation of the company and to one vote at the general meeting of shareholders.

September 20, 1996 (in CHF '000)

	<u>Share Capital</u>	<u>Additional Paid-in capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Foundation	125	125		250
Capital Increase	89,875	89,875		179,750
Net Profit			19	19
At Sept. 20, 1996	<u>90,000</u> =====	<u>90,000</u> =====	<u>19</u> =====	<u>180,019</u> =====

The additional paid-in capital can only be distributed to the shareholders to the extent that it exceeds one half of the share capital.

## Conditional increase of capital

The Company can issue additional share capital in the amount of maximum CHF 44,937,500 or 898,750 registered shares at a par value of CHF 50.-. The contingent capital will be issued through the exercise of outstanding warrants that have been granted to the shareholders in connection with the capital increase. Two warrants are eligible to buy one registered share at a strike of CHF 115.- during the period from January 1, 1997 to September 10, 1998.

## 7. Taxes

The Company is taxed as a holding company and is as such only liable for Swiss federal and cantonal/communal capital taxes. The actual tax expenses cover all capital taxes through September 20, 1996.



## 8. Information by geographical area

	Assets employed Sept. 20, 1996 CHF '000
Geographic Segment	
Europe	183,840
	<hr/>
	183,840
	<hr/>

## 9. Significant transactions and agreements with related parties

LGT Non Traditional Advisers Aktiengesellschaft is the Investment Manager of the Group. It was formed on July 30, 1996 and is wholly owned by Liechtenstein Global Trust Aktiengesellschaft, Vaduz and RMF Holding AG, Pfäffikon/SZ.

Liechtenstein Global Trust Aktiengesellschaft, Vaduz holds the voting non-participating management shares of Castle Alternative Invest (Overseas) Ltd, Cayman.

LGT Bank in Liechtenstein AG, Vaduz is acting as a custodian for Castle Alternative Invest AG, Pfäffikon. CITCO Bank Nederland N.V., Amsterdam, is acting as custodian for Castle Alternative Invest (Overseas) Ltd. LGT Bank in Liechtenstein AG, Vaduz, and Maerki, Baumann & Co. AG, Zurich, will act as the Company's dividend paying agents. In conjunction with the capital increase the Company paid a lead management fee of CHF 898'750 (0.5 % of the additional equity) to LGT Non Traditional Advisers AG and a sales fee of 2'696'250 (1.5 % of the additional equity) to LGT Bank in Liechtenstein AG. An element of these fees was subsequently paid on to related parties and third parties. CITCO Fund Services (Europe) B.V., Amsterdam, is acting as administrator for the Subsidiary and calculates the weekly Net Asset Value of the Subsidiary.

The Investment Manager receives a management fee from Castle Alternative Invest (Overseas) Ltd., Cayman at an annual rate equal to total 1.50 % of the Subsidiary's total net assets in USD (before deduction or accrual of the Performance Fee) and a Performance Fee of 10 % of the net trading gains of the Subsidiary since the previous payment of such Performance Fee.

## 10. Fair value and credit risk of financial instruments

As of the date of this interim financial statement the companies financial instruments are comprised of cash and short term bank deposits only. The book values therefore equal the fair values of these instruments.

The deposits are placed with bank institutions with a good credit rating only.

**6.7 Unaudited Interim Financial Statements as of June 30, 1997****CASTLE ALTERNATIVE INVEST AG, PFÄFFIKON****UNAUDITED NON-CONSOLIDATED INTERIM BALANCE SHEET  
AS OF JUNE 30, 1997 (Amounts in '000 Swiss Francs)****ASSETS****Current Assets**

Cash at banks	6
Deposits at banks	1'500
Withholding tax recoverable	10
	<u>1'516</u>

**Fixed assets**

Castle Alternative Invest (Overseas) Ltd., Cayman valued at cost	171'000
Incorporation costs	6'189
	<u>177'189</u>

<b>Total assets</b>	<b><u>178'705</u></b>
---------------------	-----------------------

**LIABILITIES AND SHAREHOLDERS' EQUITY****Current liabilities**

Accrued expenses	26
Provision for taxes	217
	<u>243</u>

**Shareholders' equity**

Share capital	90'000
Legal reserve	90'000
Loss for the period July 24, 1996 to June 30, 1997	(1'538)
	<u>178'462</u>

<b>Total liabilities and shareholders' equity</b>	<b><u>178'705</u></b>
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**CASTLE ALTERNATIVE INVEST AG, PFÄFFIKON****UNAUDITED NON-CONSOLIDATED PROFIT AND LOSS STATEMENT  
FOR THE INTERIM PERIOD FROM JULY 24, 1996 TO JUNE 30, 1997  
(Amounts in '000 Swiss Francs)****Operating income**

Interest received	94
	<u>94</u>

**Operating Expenses**

Amortisation of incorporation costs	(1'189)
Other operating expenses	<u>(226)</u>
	<u>(1'415)</u>

<b>Loss before taxes</b>	<u><b>(1'321)</b></u>
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Taxes	<u>(217)</u>
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<b>Loss for the period</b>	<u><u><b>(1'538)</b></u></u>
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**CASTLE ALTERNATIVE INVEST AG, PFÄFFIKON****SUPPLEMENT TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 1997****1. Accounting principles**Investment

Investments in subsidiaries are stated at acquisition cost or, in case of a permanent impairment of the value of the subsidiaries, at the lower net realisable value.

Intangible assets

Capitalized costs in connection with the incorporation and issuance of shares included in intangible assets are amortized on a straight-line basis over a period of five years.

**2. Pledged assets**

The Company pledged its shares in Castle Alternative Invest (Overseas) Ltd. to LGT Bank in Liechtenstein AG, Vaduz as a collateral for short- to medium term financing based on the agreement dated March 11, 1997.

**3. Significant investments**

Name:	Castle Alternative Invest (Overseas) Limited, Grand Cayman
Share Capital:	CHF 171,000,000.--

The share capital of Castle Alternative Invest (Overseas) Ltd. is divided into voting non-participating management shares (97,500 shares of CHF 0.01 par value) and participating non-voting ordinary shares (1,800,000 shares of CHF 0.01 par value, issued with a share premium of CHF 94.99). The Company holds the participating non-voting ordinary shares.

**4. Conditional capital increase**

The Company can issue additional share capital in the amount of maximum CHF 44'937'500 or 898'750 registered shares at a par value of CHF 50.00 through stock options outstanding.

The non-consolidated financial statements have been prepared in accordance with the Swiss Code of Obligations



**UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET AS OF JUNE 30, 1997**  
**(Amounts in '000 Swiss Francs)**

**ASSETS**

**Current assets**

Cash at banks	68
Deposits at banks	3'209
Withholding tax recoverable	10
Other receivables	39
	<u>3'326</u>

**Fixed assets**

Long term investments	221'478
Incorporation costs	6'210
	<u>227'688</u>

<b>Total assets</b>	<u><u>231'014</u></u>
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**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current liabilities**

Short term loans from banks	36'525
Accruals and other short term liabilities	4'067
Tax provision	217
	<u>40'809</u>

**Shareholders' equity**

Share capital	90'000
Additional paid-in capital	90'000
Net income for the period	10'204
Minority interests	1
	<u>190'205</u>

<b>Total liabilities and shareholders' equity</b>	<u><u>231'014</u></u>
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**CASTLE ALTERNATIVE INVEST AG, PFÄFFIKON****UNAUDITED CONSOLIDATED INTERIM STATEMENT OF INCOME  
FOR THE PERIOD FROM JULY 24, 1996 TO JUNE 30, 1997  
(Amounts in '000 Swiss Francs)****Operating income**

Interest and dividends received	1'181
Realised/unrealised gains from investments	14'770
Foreign exchange difference net	166
Other income	122
	<u>16'239</u>

**Operating expenses**

Management and advisory fees	(3'700)
Interest and bank/broker expenses	(470)
Amortization of incorporation costs	(1'192)
Other expenses	(456)
	<u>(5'818)</u>

<b>Income for the period before taxes</b>	<u><b>10'421</b></u>
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Taxes	<u>(217)</u>
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<b>Net income for the period</b>	<u><u><b>10'204</b></u></u>
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**CASTLE ALTERNATIVE INVEST AG, PFÄFFIKON****SUMMARY OF ACCOUNTING POLICIES FOR THE UNAUDITED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS****Accounting convention**

For consolidation purposes, Castle Alternative Invest AG and its subsidiary company (the Group) prepare financial statements using the historical cost convention.

**Basis of presentation**

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards (IAS) and the Swiss Code of Obligations.

**Basis of consolidation**

The consolidated financial statements include all the assets and liabilities of Castle Alternative Invest AG and the subsidiary which it controls. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or where there is the power to govern the financial and operating policies of the enterprise under a statute or agreement. All material intercompany transactions and balances are eliminated.

**Foreign currency translation**

All monetary assets and liabilities of Group companies reporting in currencies other than Swiss Francs are translated to Swiss Francs using period-end exchange rates. Income and expenses are translated at the average exchange rates for the period. Differences arising from the translation of foreign currency financial statements into Swiss Francs are taken directly to retained earnings.

**Foreign currency transactions**

Transactions during the year in foreign currencies are translated into the respective local currencies at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective local currencies at the exchange rates prevailing at the period-end date. Exchange gains and losses are included in the statement of income.

**Securities**

Investments in funds and other investment vehicles are stated at fair value with changes in fair value recorded in the statement of income.

**Taxes**

Taxes are provided based on reported income and include taxes on capital. Taxes also include non-recoverable tax withheld on interest and dividends.

The Group provides for deferred taxes using the comprehensive liability method. Provision is made in respect of all temporary differences arising between the tax values of assets and liabilities and their values in the consolidated financial statements. Provision is made against deferred tax assets to the extent that it is probable that these will not be realized. Deferred tax balances are adjusted for subsequent changes in tax rates or for new taxes imposed. Deferred tax liabilities are included under provisions.





Non-recoverable withholding taxes on distributable retained earnings are only accrued if distribution by the subsidiary company is probable.

**Incorporation costs**

Capitalized costs in connection with the incorporation and issuance of shares included in intangible assets are amortized on a straight-line basis over a period of five years.



## 7. The Cayman Subsidiary

<b>General</b>	The Company will invest substantially all of its assets through Castle Alternative Invest (Overseas) Ltd., the Subsidiary, in accordance with the Company's Investment Objective and Policy.
<b>Incorporation</b>	The Subsidiary was incorporated with limited liability on July 31, 1996 as an exempted company under the laws of the Cayman Islands.
<b>Purpose</b>	The purpose of the Subsidiary is to carry on the business of an investment company and to acquire, invest in and hold all kinds of securities and rights. The investments of the Subsidiary are monitored by the Investment Manager in accordance with the investment guidelines set out below.
<b>Capital</b>	The Subsidiary has issued 97'500 voting non-participating management shares of CHF 0.01 par value held by Liechtenstein Global Trust Aktiengesellschaft, Vaduz. The Subsidiary has further issued 1'800'000 non-voting participating redeemable ordinary shares of CHF 0.01 par value which are held by the Company. These shares are redeemable with the consent of the Board of Directors of the Subsidiary. The total par value of the capital of the Subsidiary amounts as of August 31, 1997 to CHF 18'975.--.
<b>Board of Directors</b>	<p>The Subsidiary has a Board of Directors whose function is to review and supervise the general conduct of the affairs of the Subsidiary and decide about the general business policy. The Subsidiary is responsible for selecting the Investment Manager. The names of the present Directors are set forth below, together with their principal occupations and their professional CVs.</p> <p><b>Heinz Nipp</b> (citizen of the Principality of Liechtenstein, born 1951) studies include a banking apprenticeship and training as a financial analyst which were later followed by Executive Management Studies at Stanford University, California. Prior to joining LGT Bank, Vaduz, in 1982, Mr. Nipp spent several years abroad to gain practical banking experience. During his career at LGT Bank Mr. Nipp has been a Member of the Board of Management and a Member of the Executive Board and Head of the Business Sector Finance. Mr. Nipp is a member of the Advisory Board of Liechtenstein Global Trust AG.</p> <p><b>Dr. Konrad Bächinger</b> (Swiss citizen, born 1950) received a Ph.D. in law from the University of Zurich. He began his career as an attorney for a private legal practice. He sub-</p>



sequently became a legal counsel for St. Gallische Creditanstalt in St. Gall and was named Head of the Legal Department at Adolph Saurer company, Arbon. Dr. Bächinger has been working for LGT Bank, Vaduz, since 1984. In 1990 he was appointed to the Executive Board and Head of Business Sector of Commercial Banking and Legal Matters. Dr. Bächinger is a member of the Advisory Board of Liechtenstein Global Trust AG.

**Michael Bürge** (Swiss citizen, born 1966) completed a commercial apprenticeship and is a qualified SEABEE economist. In 1987 Mr. Bürge joined Bank J. Vontobel & Co. where he started in the Private Clients Department. He moved on to market making in Futures and Options and was made responsible for building up a sales team in the Futures and Options business. He has been with LGT Bank since 1991 where he is Head of the Projects Department.

**CTC Corporation Ltd.**, Corporate Center, West Bay Road, P.O. Box, Seven Mile Beach, Grand Cayman, Cayman Islands, B.W.I.

**The Administrator**

The Subsidiary's affairs will be administrated by CITCO Fund Services (Europe) B.V., Amsterdam, the Netherlands.

**Auditors**

Arthur Andersen LLP, Caledonia House, Georgetown, Grand Cayman, Cayman Islands, B.W.I., have consented to act as auditors to the Subsidiary.



## 8. The Investment Manager

### General

Under a separate Investment Management Agreement, the Subsidiary appointed the Investment Manager with certain responsibilities as regards the identification, purchase, sale, exchange and disposal of the Subsidiary's investments. The Investment Management Agreement dated August 23, 1996 between the Subsidiary and the Investment Manager provides that, in the absence of negligence, willful misconduct, default or bad faith, the Investment Manager shall not be liable to the Subsidiary or to its shareholders for any act or omission of the Investment Manager in the performance of its obligations and duties.

### Name

LGT Non Traditional Advisers Aktiengesellschaft

### Incorporation

The Investment Manager was established in Vaduz on July 30, 1996 and its shareholders are Liechtenstein Global Trust Aktiengesellschaft, Vaduz, and RMF Holding AG, Pfäfers/SZ. Details of the directors and managers are set out below.

### Directors

**Rolf Kaelin** (Swiss citizen, born 1953) completed his undergraduate studies at the commercial college of St. Gall and his executive studies at Hendon College, England, and The Wharton Business School, Philadelphia. During his professional career, Mr. Kaelin was with Chemical Bank International, London, as Head of Sales and Eurobonds Syndicate. Later Mr. Kaelin was Managing Director of Leu Securities, London, and was subsequently promoted to Head of the Securities Dealing Division and Overall Bank Sales for Bank Leu, Zurich. He joined Credit Suisse, Zurich, to become Deputy Head of the Division for Group Securities Sales. He then moved on to Dresdner Bank, Munich, to become Director of the Securities Department. Mr. Kaelin has been with Liechtenstein Global Trust AG since 1993. He began as Chief Executive Officer of LGT Asset Management, Zurich. In 1995 he was appointed to the position of Director of Corporate Development. Mr. Kaelin is also a member of the Advisory Board of Liechtenstein Global Trust AG.

**Rainer-Marc Frey** (Swiss citizen, born 1963) studied business and banking at the St. Gall Graduate School of Business and Administration („HSG“), Switzerland. After Business School, Mr. Frey joined Merrill Lynch where he performed various international assignments, the most important being the setting-up of Merrill Lynch's Covered Warrant effort in London during 1988. In 1989 he returned to Switzerland to start-up the trading operation for Salomon Brothers in Zurich and became

Director in Trading for both Salomon Brothers in Zurich and Frankfurt. He has a proven track record in having set-up three equity derivatives units from start. In 1991 Mr. Frey was promoted to the position of the International Equity Syndicate Manager at Salomon Brothers International in London. He left Salomon Brothers in January 1992 to become a Managing Partner of RMF Trading AG.

**Heinz Nipp** (citizen of the Principality of Liechtenstein, born 1951) studies include a banking apprenticeship and training as a financial analyst which were later followed by Executive Management Studies at Stanford University, California. Prior to joining LGT Bank, Vaduz, in 1982, Mr. Nipp spent several years abroad to gain practical banking experience. During his career at LGT Bank Mr. Nipp has been a Member of the Board of Management and a Member of the Executive Board and Head of the Business Sector Finance. Mr. Nipp is a member of the Advisory Board of Liechtenstein Global Trust AG.

**Dr. Roberto Paganoni** (Dutch citizen, born 1961) completed his mechanical engineering studies at the technical university of Aachen, Germany and received a Ph.D. in Business Administration from the University of St. Gallen („HSG“). After assignments in marketing and management consulting in the Netherlands and in New York, he joined McKinsey & Co. in Düsseldorf in 1989. In 1993 he transferred to McKinsey & Co. in Switzerland after having spent a year in McKinsey's Euro-center in Brussels. With McKinsey & Co. Dr. Paganoni managed international projects in the areas of industrial goods, airlines, telecommunication and financial services. In 1997, he joined Liechtenstein Global Trust AG as Head of Alternative Assets in Zürich. Dr. Paganoni is also a member of the Advisory Board of Liechtenstein Global Trust AG.

## Management

**Dr. Thomas Weber** (German citizen, residing in Vaduz, Principality of Liechtenstein, born 1961) did his undergraduate studies in Business Administration at the University of Cologne. He holds an MBA in Finance from Georgia State University and a Ph.D. in Business Administration from the St. Gall Graduate School of Business and Administration („HSG“). After assignments with Coca-Cola and AT&T in the U.S., he worked as a Strategic Management Consultant in Switzerland. In 1989 Dr. Weber joined LGT Bank, Vaduz, as Assistant to the Chairman and Project Manager. In 1991 Dr. Weber moved to the Portfolio Management Division as Head of Methods and Marketing. In that function he was responsible for improving and developing the investment process and launching and marketing new investment products. In 1994 he was appointed to Vice President Corporate Marketing and



Projects for the Liechtenstein Global Trust AG and in 1995 he became Director of Corporate Communications. Since July 1996 Dr. Weber has been the Managing Director of LGT Non Traditional Advisers.

The Investment Management Agreement has been entered into for a fixed period until December 31, 1998 and shall thereafter continue in force for an indefinite period unless terminated by either party as of June 30 or December 31 of each year by giving to the other party at least twelve months notice. It is governed by the laws of the Cayman Islands. The Investment Manager will advise the Subsidiary periodically about the investments of the Subsidiary, review the investment process, consult with the Investment Advisory Group for the evaluation of the Investment Vehicles and monitor the performance of the Subsidiary's overall investment program as well as that of each specific allocation.

The Investment Manager shall be entitled to an investment management fee as set out in the "Fees and Expenses" section on page 59 of this Offering Circular.

## **9. The Investment Advisory Group**

The Subsidiary has identified and retained an experienced Investment Advisory Group. Such advisers identified by the Subsidiary are reputable experts of the hedge fund industry, with specific know how and experience of different investment styles.

The members of the Investment Advisory Group work on an advisory basis only and have no decision power. Such members may be directors of the target companies. The members shall (i) provide input on general developments in the hedge fund industry, (ii) consult on issues regarding particular money managers, (iii) assist the Investment Manager in identifying new money managers, (iv) review the portfolio proposed by the Investment Manager and (v) suggest alternative allocations. The members shall provide their input on a quarterly basis as well as ad-hoc upon request.

The Investment Manager selects and may replace or terminate members of the Investment Advisory Group when deemed appropriate.

## **10. Quantitative Investment Consultant**

The Subsidiary has also identified and retained a Quantitative Investment Consultant. Such consultant shall (i) provide quantitative data on the hedge fund industry, (ii) support the Investment Manager in conducting portfolio construction and a variety of risk analysis, (iii) assist the Investment Manager in identifying new managers and (iv) support the Investment Manager in the monitoring of managers of the portfolio.

Such consultant generally has a large database with comprehensive quantitative and qualitative information pertaining to different money managers. In addition he typically has a broad range of quantitative tools to screen, analyze and monitor the different money managers as well as portfolio construction tools to analyze, optimize and conduct risk analysis of portfolio of money managers. He may be member of the Investment Advisory Group.

The Investment Manager selects and may replace or terminate the Quantitative Investment Consultant when deemed appropriate.



## **11. The Custodians**

LGT Bank has been named by the Company as Custodian according to a Custody Agreement dated August 5, 1996.

CITCO Bank Nederland N.V. has been named by the Subsidiary as Custodian according to a Custody Agreement dated August 9, 1996.

The Custodians are responsible for the safekeeping of the Company's and Subsidiary's investments, respectively and for effecting settlement of transactions upon receipt of instructions from the Investment Manager. The Custodians may appoint sub-custodians.

The Custodians are entitled to an annual custodian fee as set out in the "Fees and Expenses" section on page 59 of this Offering Circular.

## **12. Investment Objective and Policy**

The investment guidelines are contained in the Company's Organization Regulations which are enacted by the Board of Directors in accordance with Art. 13 of the Company's Articles of Association.

The Company's investment objective is to maximize the long-term returns to shareholders by investing, through its Subsidiary or through such other subsidiaries as the Company may from time to time establish, in a diversified portfolio of non-traditional investments. For the purpose of this Offering Circular, non-traditional investments means and includes investment funds and other investment structures (together the "Investment Vehicles") which (i) aim for absolute returns, (ii) use a broad range of investment strategies including short sales and leverage, (iii) involve the management with commitment of its own capital and/or receipt of performance-based incentive fees.

Each of the Company and the Subsidiary seeks to achieve this objective by the allocation of the Company's and/or the Subsidiary's assets to sophisticated money managers and through the diversification of trading styles. No assurance can be given that the Company's and/or the Subsidiary's investment objective will be achieved and investment results may vary substantially over time. The investment objective and policies are contained in the investment guidelines enacted by each of the Board of Directors of the Company and the Subsidiary.



To the extent the Company's and/or the Subsidiary's assets are not otherwise invested as provided herein, and during periods in which the Company and/or the Subsidiary believe that changes in economic, financial or political conditions make it advisable, or opportunities for capital appreciation are limited, for defensive purposes, the Company and/or the Subsidiary may invest in certain short-term (less than 12 month to maturity) and medium-term (not greater than 5 years to maturity) debt securities or hold cash with prime banks. The Company intends to invest only in debt securities that are rated A or better by Standard & Poor's Ratings Group ("S&P") or Moody's Investors Service Inc. ("Moody's") issued by governments, financial institutions or companies, denominated in any freely convertible currency.

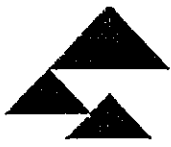
In addition, each of the Company and the Subsidiary may place all or part of its assets in temporary investments for cash management purposes pending investments of initial or subsequent subscription moneys in accordance with the Company's Investment Policies, in order to make distributions to Shareholders and to meet its operational expenses.

The Company and/or the Subsidiary may and intend to hedge most of their currency risks or investments through the defensive use of forward transactions, derivatives, including, but not limited to, futures, options, swaps or any combination thereof.

The Company and/or the Subsidiary may make use of various forms of leverage up to 30% of their Net Asset Value as calculated on the most recent valuation date, in a manner commensurate with reasonable risk management.

The Company and/or the Subsidiary may enter into securities lending transactions as a means of efficient portfolio management, provided that (i) such securities lending transactions are made within a standardized lending system organized by a recognized securities clearing institution or by a highly rated financial institution and (ii) the Company or the Subsidiary receive adequate securities or guarantees until termination of the lending agreement.

Within the limits of the Company's and/or the Subsidiary's purpose, the Company's and the Subsidiary's Investment Objective and Policy may be amended or changed by each of the Board of Directors at any time, in whole or in part. Amendments will become effective upon their approval by the respective Board of Directors.



### 13. Details of Investment Policy

It is the Company's policy, under normal conditions, to invest, through its Subsidiary or through such other subsidiaries as the Company may from time to time establish, substantially all of its assets in non-traditional investments. The Investment Vehicles and their respective money managers are selected based on qualitative and quantitative research criteria including (i) risk return prospects of different non-traditional investment strategies, (ii) business structure and team organization of the money manager, (iii) risk management procedure and liquidity aspects of the Investment Vehicles, (iv) amount under management and commitment of the principals of the money manager, (v) cost structure, (vi) correlation to other money managers and the entire portfolio and (vii) historical performance in relation to investment style, expected returns, benchmarks and degree of risk. For the purpose of this document "money manager" shall mean the person(s) who are actually managing the non-traditional assets by making the investment decisions.

The Company, directly or through its Subsidiary, will allocate the majority of its assets at cost to money managers with a proven performance record of several years. A minority part of the assets at cost will be invested with new and emerging money managers.

The Company, directly or through its Subsidiary, will not allocate more than 15% of the Net Asset Value at cost to one single money manager or his investment vehicle. Some money managers might have several investment vehicles that qualify for investment by the Company or the Subsidiary, but the Company or the Subsidiary will not allow that investments in vehicles of the same money manager will exceed a combined maximum of 15% at cost.

Under normal circumstances, no allocation to a money manager will be made prior to a visit by the Investment Manager to the money manager's business location. It will include a proper evaluation concerning the money manager's business structure, its key employees, its track record, its relation with third parties and other relevant aspects.

The Investment Manager will introduce a monitoring procedure in order to implement the following risk control parameters: (i) changes in a money managers structure and organization, (ii) major deviations from historical returns, (iii) changes in the correlation of the portfolio, (iv) changes in investment styles, and (v) comparisons of money managers performance versus that of their underlying investments.



## **14. Stock Exchange Listing**

The Shares and the Warrants are listed on the Swiss Exchange. The Shares are quoted in Swiss Francs on such stock exchange and settlement is made in Swiss Francs. The Company will file an application for listing of the new Shares hereby offered on the Swiss Exchange.

## **15. Fees and Expenses**

### **Investment Manager's Fee**

Pursuant to the Investment Management Agreement, the Subsidiary will pay a Management Fee at an aggregate annual rate of total 1.50% of the Subsidiary's total net assets in USD (before deduction or accrual of the Performance Fee) as at the close of business on the final business day of each calendar month. The Management Fee will be paid monthly in arrears of 0.125% within 15 days after the Net Asset Value calculation. Such fee may be renegotiated from time to time.

The Investment Manager will receive from the Subsidiary an annual Performance Fee of 10% of the net new trading gains of the Subsidiary since the previous payment of such Performance Fee. This Performance Fee will be paid annually and any previous losses shall be recouped before payment of such Performance Fee ("High Water Mark"). Such fee may be renegotiated from time to time. The calculated Net Asset Value is net of all accrued fees.

The Investment Manager will also be reimbursed for all reasonable out-of-pocket costs and expenses incurred for the benefit of the Company.

The members of the Investment Advisory Group and the Quantitative Investment Consultant shall be remunerated by the Subsidiary.

### **Rebates for Investments**

The Investment Manager negotiates the fees for any investment on behalf of the Subsidiary. Any rebates from investments will be reimbursed to the Subsidiary.

### **Custodian's Fees**

The custody of the shares of the Subsidiary held by the Custodian of the Company will be free of charge.

The Subsidiary pays its Custodian a fee which currently is around 0.05% per annum of the Net Asset Value of the Sub-



sidiary calculated monthly on the last dealing day of each month and payable quarterly in arrears in U.S. Dollars or Swiss Francs. The Custodian shall also be entitled to reimbursement of transaction charges, sub-custody fees (which shall not exceed normal commercial rates) and reasonable out-of-pocket expenses incurred for the benefit of the Subsidiary.

#### **Administrator's Fees**

The Subsidiary pays its Administrator a fee which currently is below 0.1% per annum of the Net Asset Value of the Subsidiary calculated monthly on the last dealing day of each month and payable quarterly in arrears in U.S. Dollars or Swiss Francs. The Administrator shall also be entitled to reimbursement of reasonable out-of-pocket expenses incurred for the benefit of the Subsidiary.

#### **Miscellaneous Fees, Costs and Expenses**

Each of the Company and/or the Subsidiary will bear all of its expenses, including organization expenses (which include out-of-pocket expenses, administrative and legal expenses) and offering expenses (including placement fees, expenses of marketing, printing of the offering documents and advertising the Offering) legal expenses; auditing and accounting expenses; taxes and governmental fees; stock exchange listing fees, if any; dues and expenses incurred in connection with membership in investment company organizations; portfolio pricing services, including costs of determination of the Company's Net Asset Value; expenses in connection with the issuance and offering of securities issued by the Company; custodian's fees; administrator's fees; expenses relating to investor and public relations; expenses of registering or qualifying securities of the Company for sale; freight, insurance and other charges in connection with the shipment of the Company's portfolio securities; brokerage commissions or other costs of acquiring or disposing of the Company's portfolio securities; expenses of preparing and distributing reports, notices and distributions to shareholders; publications to the shareholders; costs of stationery; any litigation expenses; remuneration of the members of the Board of Directors; liability insurance for the members of the Board of Directors, and costs of shareholders' and other meetings, and any other expenses which the Board of Directors may authorize and are incurred in the pursuit of its stated objectives.

Each of the Company and/or the Subsidiary will also pay certain other costs and expenses incurred in its operation, including without limitation, taxes, sub-custody fees and expenses and expenses for legal, auditing and consulting services, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance,



interest, brokerage costs, the obtaining of authorizations or registrations with the regulatory authorities in certain jurisdictions and all professional and other fees and expenses in connection therewith and the cost of publication of the Net Asset Value of the Shares.

All initial set-up costs and Issue Stamp Duties of the Company and/or the Subsidiary will be capitalized and written off over a period of not more than five years.

## **16. Taxation**

### **General**

The following tax summary is of a general nature only, is based on current law and practice and is therefore subject to changes therein, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Prospective purchasers of Shares and Warrants should consult their own tax advisers as to the potential tax consequences of the acquisition, holding or disposition of the Shares and Warrants the receipt of distributions under the laws of the countries of their citizenship, residence or domicile.

The taxation of income, capital gains and net wealth (capital) of the Shareholders is subject to the laws and practice of Switzerland or the jurisdictions in which Shareholders are resident or otherwise subject to tax.

The Company will make and hold substantially all of its investments through the Subsidiary in the Cayman Islands.

The investment structure through the Subsidiary may be changed and the Company may decide to refrain from the use of the Subsidiary in the case of changes in the fiscal, economic and political environment in the Cayman Islands jeopardizing the investment objectives of the Company. If the Board of Directors of the Company deems it appropriate for achieving the investment objectives of the Company, it may incorporate additional subsidiaries in the Cayman Islands or elsewhere and liquidate or merge such subsidiaries.

### **Cayman Island Tax Considerations**

The Company's investments are made primarily through the Cayman Subsidiary. The Cayman Subsidiary is incorporated with limited liability as an exempted company, and its purpose is to acquire, sell and hold securities as beneficial owner.

The Cayman Islands do at present not levy any withholding tax on payments of interest or dividends or the redemption of capital.



## Swiss Tax Considerations

For Swiss tax purposes, the Company may be characterized as a holding company. For Schwyz cantonal and communal tax purposes, the Company has been granted a holding company status by the Schwyz Cantonal Tax Administration. The Company is, therefore, exempt from Schwyz cantonal and communal profit taxes and will pay a reduced annual capital tax of at present 0.07% of the paid-in share capital including the open reserves (or 0.08% if the paid-in Share capital including the open reserves amounts to or exceeds CHF 400'000'000.--). For Swiss Federal Direct Tax purposes, the Company will qualify for the participation relief with regard to dividend income from qualifying participations such as the Subsidiary, whereas other income is subject to a profit tax at rates, depending on the return on equity, ranging at present between 3.63% and 9.8%. The Federal capital tax burden amounts to 0.08% of the taxable net equity per year.

The profit earned by the Subsidiary in form of dividends, capital gains, etc. is not subject to direct taxation in Switzerland. Any profit distributions received by the Company from the Subsidiary are only subject to a minor federal income tax charge in Switzerland.

In the case of capital increases of the Company, the Swiss Federal Issue Stamp Duty (tax rate at present 2%) may become due.

The Company has to withhold 35% Swiss Federal Anticipatory Tax on all distributions of profits or equity reserves to its shareholders. Swiss resident shareholders may recover such Federal Anticipatory Tax in full. Non-resident shareholders may recover the withholding tax in full or in part in accordance with the terms of applicable double taxation treaties, if any, concluded between Switzerland and the shareholders country of residence.

A redemption by the Company of its own Shares may, for tax purposes, be treated as a partial liquidation. Both partial and full liquidations are taxable events for federal withholding tax purposes and for income and profit tax purposes. The difference between the redemption price and the nominal value of Shares will be subject to 35% Federal Anticipatory Tax. If the Shares are the private property of resident individuals, federal income tax is owed by the shareholder on the difference between the proceeds from the redemption and the nominal value of the Shares, irrespective of the price at which the Shares were bought by the shareholder. The cantonal personal income taxation may deviate from the federal income tax



treatment. If the Shares are owned by resident individuals for business purposes or by resident corporate entities, the profit as reported in the taxpayers profit and loss account for statutory purposes is the basis for determining the taxable net profit (subject to a possible participation relief). Certain business units such as pension funds may be exempt from profit taxation; corporate entities including companies may benefit from a factual exemption through the participation relief which applies to corporate equity participations of at least 20% or of a market value of at least CHF 2 million.

## **17. General Information**

### **17.1. Conflicts of Interest**

LGT Bank, the directors of the Company, the directors of the Subsidiary, the directors of the Investment Manager and the directors of RMF Holding AG as well as RMF Holding AG and LGT Non Traditional Advisers Aktiengesellschaft may hold Shares for their own account.

Members of the Investment Advisory Group may be directors of the targeted companies and provide similar services to other investment vehicles.

The Quantitative Investment Consultant performs similar functions to other investment vehicles.

LGT Bank or related entities may be dealing with counterparties of the Company and/or the Subsidiary in respect of loans, foreign exchange transactions and other financial operations related to the activity of the Company and/or the Subsidiary.

The Company and/or the Subsidiary may invest in investment products which are offered by group companies of Liechtenstein Global Trust Aktiengesellschaft.

The Custodians and the Administrator may act as manager, administrator, registrar, trustee, custodian, distributor, investment manager or adviser, or be otherwise involved in, other corporations, funds or collective investment schemes which have similar investment objectives to those of the Company and the Subsidiary.

The Investment Manager may accept further advisory mandates in the future and his services are not limited to the Subsidiary.

**17.2. Applicable Law and Jurisdiction**

This Offering Circular, the Articles of Association of the Company, including the Organization Regulations, as well as the relationship between the Shareholders and the Company are governed by and construed in accordance with Swiss law. Any legal action or proceeding in respect thereof shall be brought in the ordinary courts of the Canton of Schwyz, venue being in the city of Pfäffikon/SZ, with the right of appeal to the Swiss Federal Court in Lausanne, where the law permits, and whose decision shall be final.

**17.3. Paying Agents**

LGT Bank and Maerki Baumann & Co. AG serve as paying agents for the Company.

**17.4. Legal Proceedings**

There are no legal or arbitration proceedings pending or, to the best of the Company's knowledge, threatened against the Company, which may have or have had since its incorporation a significant effect on its financial position.

**17.5. Debt**

As of September 29, 1997, the short term loans from banks on a consolidated basis amounted to USD 25 million (equivalent value as of June 30, 1997: CHF 36.525 million).

On September 29, 1997, the Company had no other outstanding loan capital, mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments or guarantees or other material commitments or contingent liabilities.

**17.6. Material Change in Financial Position**

There has not been any material change in the financial position or prospects of the Company since June 30, 1997.

**17.7. Material Contracts**

The material contracts of the Company and the Subsidiary are as follows:

1. The Investment Management Agreement between the Subsidiary and the Investment Manager;
2. The Custody Agreement between the Company and LGT Bank;
3. The Custodial Services Agreement between the Subsidiary and CITCO Bank Nederland N.V.;
4. The Administrative Services Agreement between the Subsidiary and CITCO Fund Services (Europe) B.V.



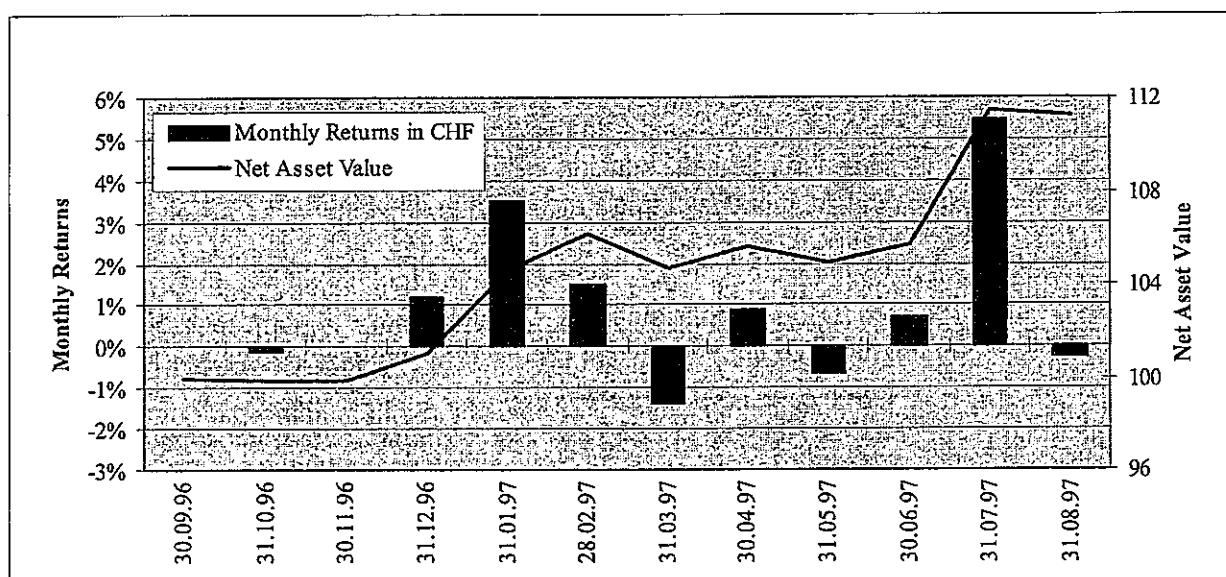


## 18. Development and Composition of the Castle Alternative Invest AG Portfolio as of August 31, 1997

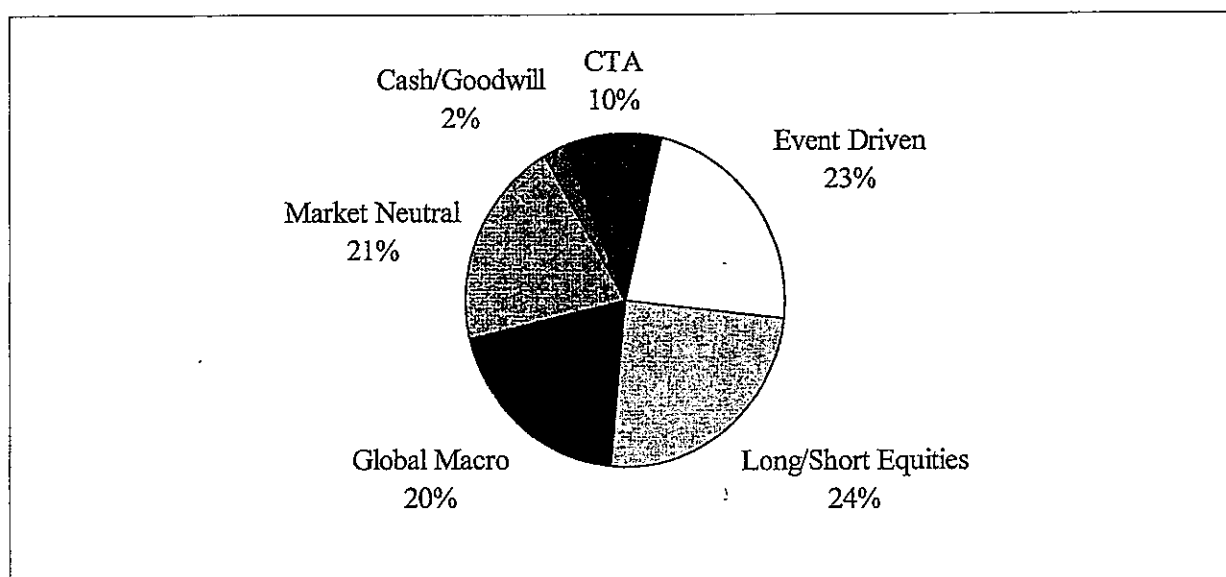
Since foundation of Castle Alternative Invest AG the assets of the Company and the Subsidiary have been fully invested with 22 different hedge funds as described hereinafter. As of September 19, 1997 the degree of investment was 118.3% with total net assets of CHF 203'071'678.89.-- and an estimated Net Asset Value per Share of 112.82 (for information on the calculation of the Net Asset Value per Share please refer to section 6.3).

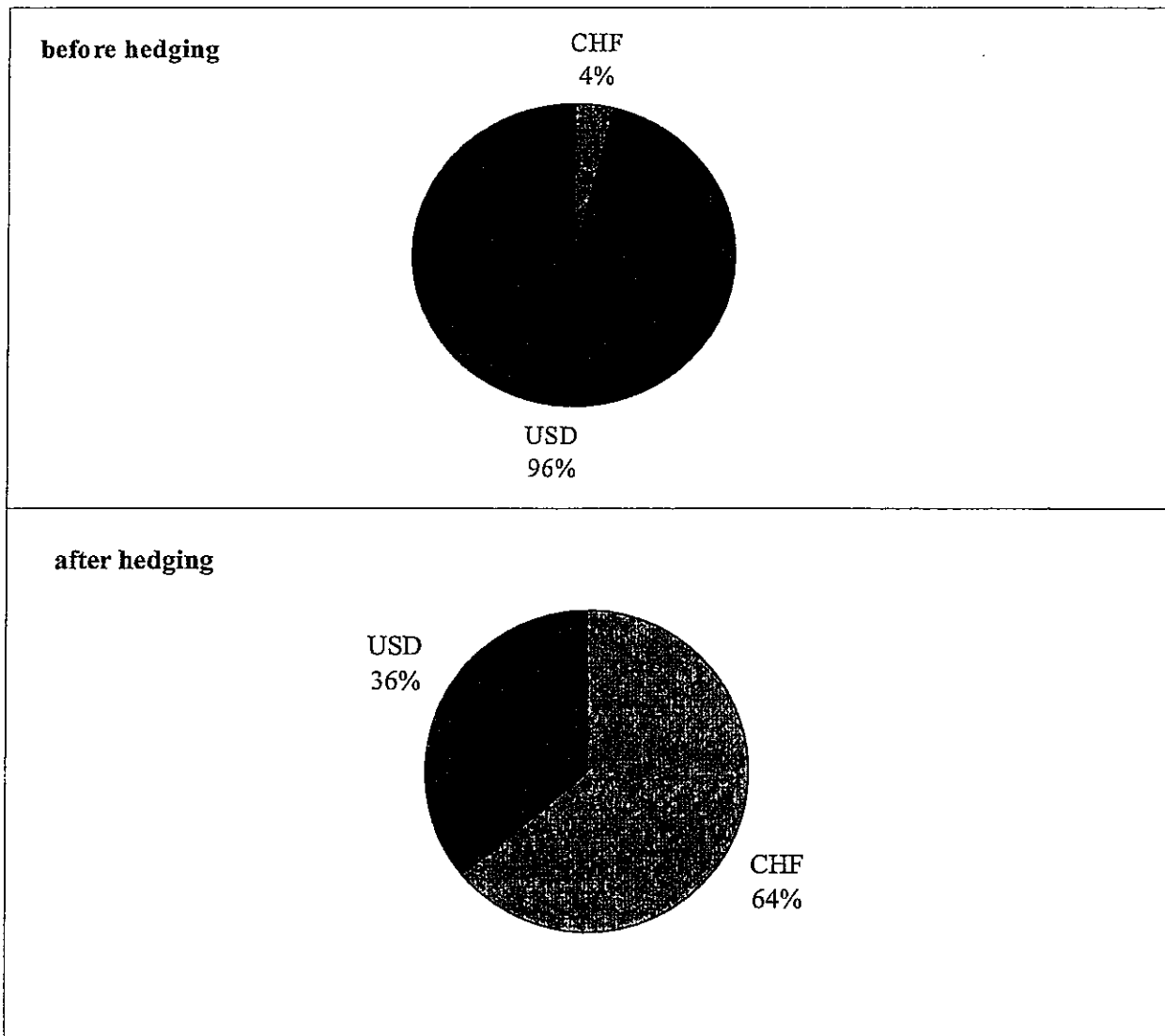
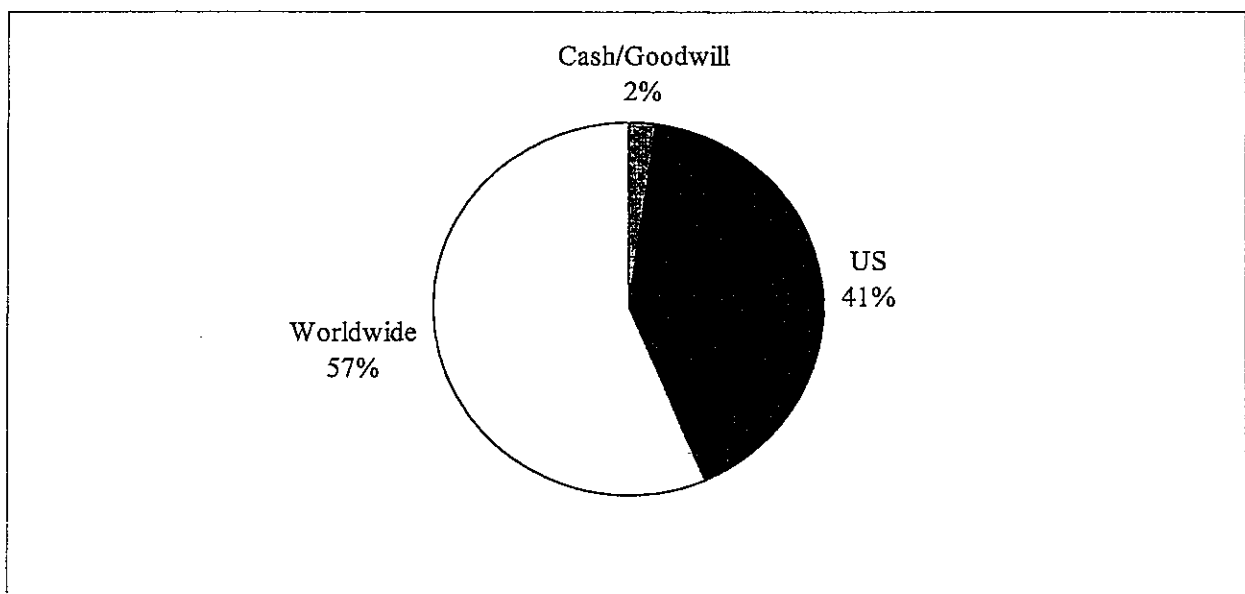
Please be advised that past performance is no guarantee of future results. It should not be assumed that the Company's performance in the future will be comparable to the past performance information presented.

### Development of Castle Alternative Invest AG since inception



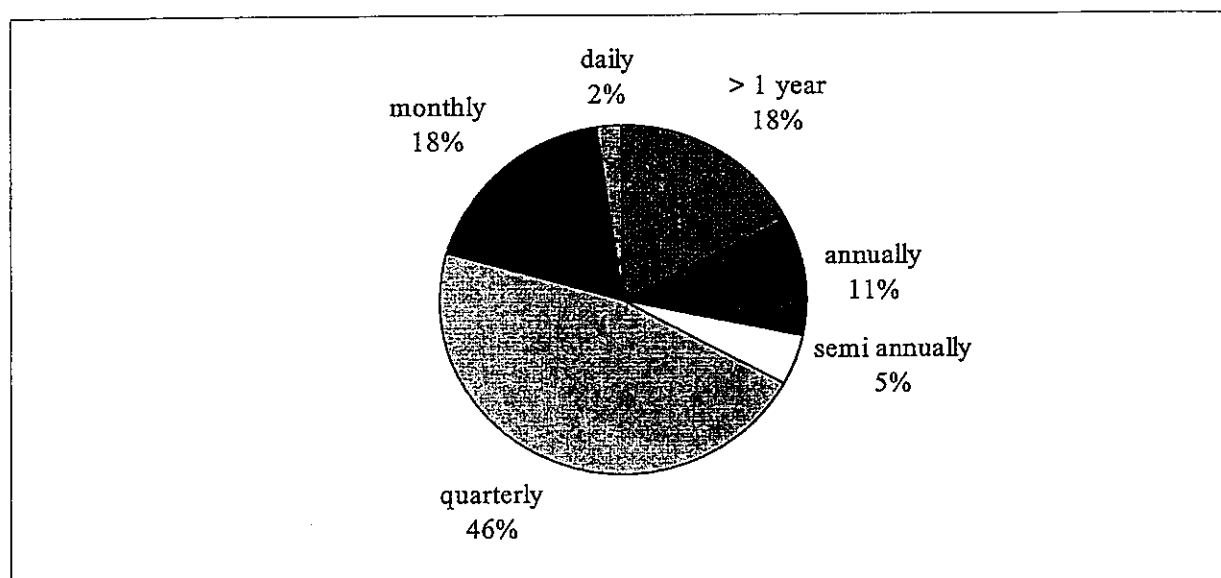
### Style Allocation as of August 31, 1997



**Currency Allocation as of August 31, 1997****Geographical Allocation as of August 31, 1997**



### Liquidity of Investments as of August 31, 1997



### Individual Investments as of August 31, 1997

As of August 31, 1997 the Company has invested its assets in the following funds whose valuation as of August 31, 1997 is based on unaudited numbers provided by each fund.

Style	Fund	USD amount originally invested	Valuation on August 31, 1997	%age of Portfolio
CTA	Caxton Global Investments Ltd.	10'000'000.00	11'104'789.56	8.17%
	Chesapeake Select Ltd.	5'000'000.00	5'147'836.86	3.79%
Event Driven	Pendragon Capital Ltd.	10'000'000.00	11'398'000.00	8.38%
	Winston Partners II Offshore Ltd.*	8'000'000.00	9'089'453.18	6.68%
	Everest Capital International Ltd.*	5'000'000.00	5'858'821.94	4.31%
Long/Short	Cerberus International Ltd.*	5'000'000.00	5'478'263.32	4.03%
	The Varde Fund (Cayman) Ltd.	5'000'000.00	5'329'041.80	3.92%
	Zweig-DiMenna International Ltd.	10'000'000.00	12'019'616.00	8.84%
	Raptor Global Fund Ltd.	5'000'000.00	5'794'662.30	4.26%
	Maverick Fund Ltd.	5'000'000.00	5'392'391.44	3.97%
	The Javelin International Fund	5'000'000.00	5'478'657.16	4.03%
	GHS International Fund Ltd.	5'000'000.00	5'227'583.98	3.84%
	Galleon International Fund Ltd.	3'000'000.00	3'544'824.93	2.61%
	Eagle Select Fund Ltd.	2'000'000.00	2'267'865.42	1.67%
	The Jaguar Fund N.V.*	10'000'000.00	12'025'113.32	9.02%
Macro	DEF Associates N.V.	5'263'504.81	6'055'518.99	4.45%
	Lattanzio International Ltd.	5'000'000.00	4'860'793.54	3.57%
	Long-Term Capital Ltd.**	14'975'122.95	17'301'297.05	12.72%
Market Neutral	Paloma International Fund	10'000'000.00	11'607'854.22	8.54%
	Forest Fulcrum Fund Ltd.*	5'000'000.00	5'600'141.95	4.12%
	Kensington Global Strat. Fund Ltd.*	5'000'000.00	5'634'049.60	4.14%
	Pentangle International Ltd.	2'000'000.00	1'741'352.06	1.28%

\* None of the above mentioned funds is currently listed on a recognized stock exchange, except for the six marked ones (\*), which have been admitted to the Official List of the Irish Stock Exchange.

\*\* For style allocation (see graph 'Style Allocation' above) Long-Term Capital Ltd. is divided into 50% Market Neutral and 50% Macro.



## **19. Individual Investments of Castle Alternative Invest AG as of August 31, 1997**

- 19.1. Caxton Global Investments Ltd.
- 19.2. Cerberus International, Ltd.
- 19.3. Chesapeake Select Ltd.
- 19.4. DEF Associates N.V.
- 19.5. Eagle Select Fund Ltd.
- 19.6. Everest Capital International Ltd.
- 19.7. Forest Fulcrum Fund, Ltd.
- 19.8. Galleon International Fund, Ltd.
- 19.9. GHS International Fund, Ltd.
- 19.10. The Jaguar Fund N.V.
- 19.11. The Javelin International Fund
- 19.12. Kensington Global Strategies Fund, Ltd.
- 19.13. Lattanzio International, Ltd.
- 19.14. Long-Term Capital, Ltd.
- 19.15. Maverick Fund, Ltd.
- 19.16. Paloma International Fund
- 19.17. Pendragon Capital Ltd.
- 19.18. Pentangle International, Ltd.
- 19.19. Raptor Global Fund Ltd.
- 19.20. The Värde Fund (Cayman) Ltd.
- 19.21. Winston Partners II Offshore Ltd.
- 19.22. Zweig-DiMenna International Ltd.

**Caxton Global Investments Ltd.****Style: CTA / Private Equity****Management Philosophy**

The Fund's principal activity is trading in the international currency, financial, commodities and securities markets. The Fund is able to trade in all exchange and over-the-counter markets, and to trade in derivative products and other instruments. The Fund expects to focus primarily on world-wide currency and interest rates, with the major emphasis of its trading activity in currencies as well as government and other fixed-income securities. The Fund also intends to invest generally up to 25% of its aggregate net assets in "Strategic Investments" - potentially less liquid investments for which market quotation may not be available and which are contemplated to be held on a long-term basis.

**Manager**

Mr. Bruce S. Kovner is the sole shareholder, a Director and the Chairman of Caxton Corp. He is individually registered pursuant to the CE Act as a CTA. Mr. Kovner also was the president of Steinhardt Management Company, Inc. and an affiliated investment management company during 1990. Mr. Kovner was a Senior Vice President of Commodities Corporation, an international commodities trading firm, from January 1978 until April 1983, when he formed Caxton Corp. Mr. Kovner's career has included an extensive background in commodity analysis, with emphasis in the foreign exchange, financial instruments and metals markets. From 1970 until he joined Commodities Corporation in 1978, Mr. Kovner did consulting work on public policy questions for, among others, the United States Congress, The National Science Foundation, the University of Pennsylvania, Harvard University and the State of New York. From 1968 until 1970, he was a teaching fellow in Government at Harvard University. Mr. Kovner received a B.A. degree with honours from Harvard College and did graduate work in political science at Harvard University.

**Management Corp.:**

Caxton Associates, L.L.C., Delaware

**Jurisdiction:**

British Virgin Islands

**Inception:**

February 1997

**Assets of the Fund (02/97):**

USD 300 million

**Assets in Strategy (12/96):**

USD 1'000 million

**Total Assets (12/96):**

USD 1'000 million

**Administrator:**

Leeds Management Services Ltd.

**Auditors:**

Ernst & Young, Bermuda

**Subscriptions:**

Currently closed

**Redemptions:**

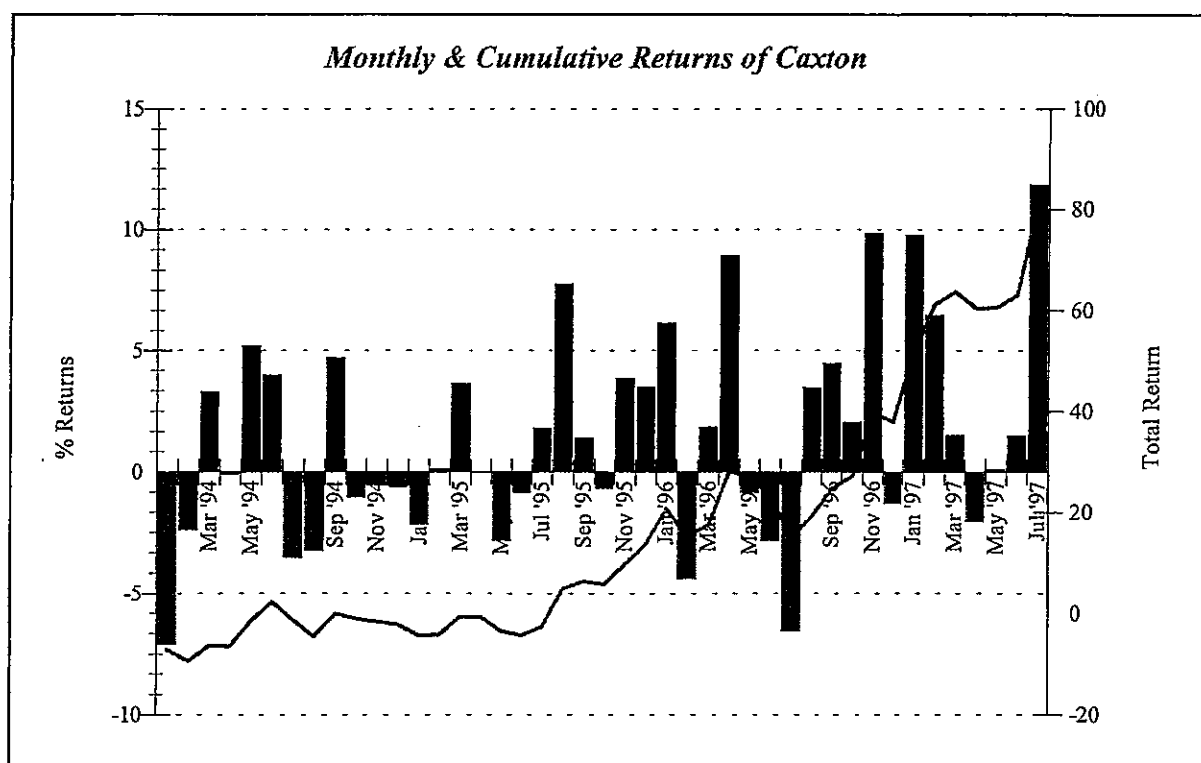
June 30, 1999

**Minimum investment:**

USD 1'000'000

**NAV published:**

Daily


**Caxton Global Investments Ltd.**
**Style: CTA / Private Equity**


<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Caxton*</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD

Return Analysis					
<b>Total Period Return</b>	82.49%	122.47%	64.08%	21.74%	
<b>Annualised Geometric Return</b>	18.28%	25.00%	14.82%	5.64%	
<b>Best 12 Month Rolling Return</b>	58.35%	51.72%	30.65%	20.60%	
<b>Worst 12 Month Rolling Return</b>	-6.55%	0.53%	-4.50%	-1.72%	

Consistency Analysis					
<b>% Up Months</b>	55.81%	79.07%	69.77%	60.47%	
<b>% Up 12 Month Rolling Returns</b>	87.50%	100.00%	93.75%	84.38%	
<b>Annualised Standard Deviation</b>	17.89%	13.39%	10.96%	6.41%	

Risk/Downside Analysis					
<b>Annualised Downside Deviation (RF)</b>	8.11%	5.96%	5.81%	4.19%	
<b>Largest Drawdown</b>	10.01%	6.95%	5.89%	6.59%	
<b>Average of Largest 5 Drawdowns</b>	6.50%	4.27%	3.93%	3.01%	

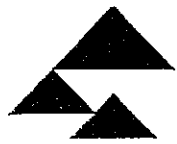
Risk/Return Analysis					
<b>Gain / Loss Ratio</b>	2.49	4.13	2.88	2.16	
<b>Sharpe Ratio - Annualised</b>	0.81	1.54	0.94	0.12	
<b>Sortino Ratio - Annualised</b>	1.79	3.46	1.77	0.18	
<b>Average Growth / Max Drawdown Ratio</b>	1.81	3.60	2.09	1.16	
<b>Average Growth / Average Drawdown Ratio</b>	2.78	5.86	3.13	2.53	

Correlation Analysis					
<b>Caxton</b>	1.00	0.27	0.14	-0.32	
<b>S&amp;P 500</b>	0.27	1.00	0.82	0.06	
<b>MSCI World Free</b>	0.14	0.82	1.00	0.26	
<b>Salomon WGBI 3-7 yrs</b>	-0.32	0.06	0.26	1.00	

**Source: Financial Risk Management Ltd.**

\*Contains data from Caxton Track Record (Feb'91 - Feb'97).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

**Cerberus International, Ltd.****Style: Event Driven****Management Philosophy**

Cerberus International, Ltd. makes investments in publicly traded and private debt, trade claims, large and middle bank loans, distressed real estate and public and private equity, including post-bankruptcy equity. To control risk, assets are broadly diversified among 40 or more positions, leverage is rarely employed and seniority of positions in the capital structure is of prime concern. The focus of the Fund is on companies with operating difficulties. The analysis required to understand such a company is generally more extensive and complex, narrowing the number of interested participants and playing to the Fund managers strength. The securities are bought for appreciation (capital gains) and interest income is only a smaller portion as a lot of the paper trades flat. The Fund tries to buy at the bottom point and follow the management's activity very closely. No investments are made in insurance and oil/gas sector.

**Manager**

Mr. Stephen Feinberg, a 1982 graduate of Princeton University, began his career at Drexel Burnham where he was actively involved in trading large pools of firm capital. From 1985 to 1992, he managed a portion of Gruntal & Co.'s capital, investing primarily in risk arbitrage opportunities and distressed securities. He founded Cerberus in December 1992.

**Management Corp.:**

Partridge Hill Management LLC, New York

**Jurisdiction:**

Bahamas

**Inception:**

June 1993

**Assets of the Fund (03/97):**

USD 360 million

**Assets in Strategy (03/97):**

USD 825 million

**Total Assets (03/97):**

USD 1'200 million

**Administrator:**

New World Trustees (Bahamas) Ltd.

**Auditors:**

Coopers & Lybrand, Bahamas

**Subscriptions:**

Monthly

**Redemptions:**

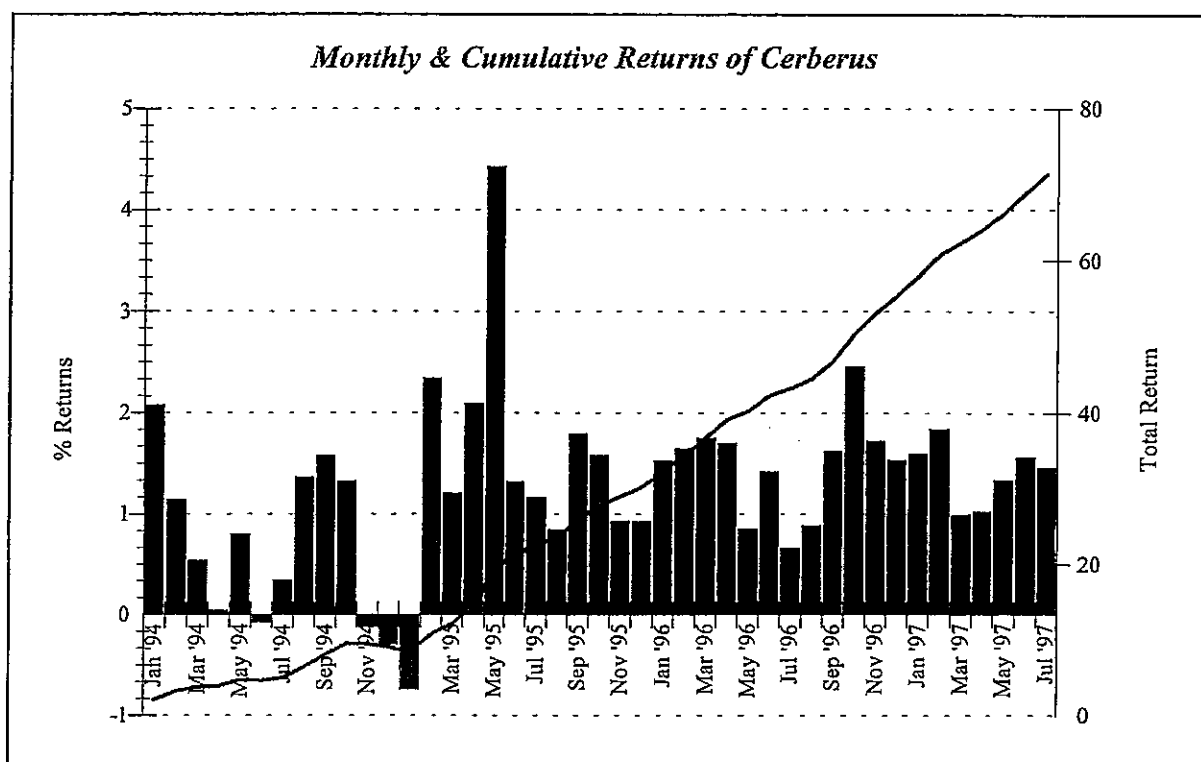
Quarterly

**Minimum investment:**

USD 500'000

**NAV published:**

Monthly


**Cerberus International, Ltd.**
**Style: Event Driven**


Date Range:	Jan '94 ~ Jul '97	Cerberus	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD

Return Analysis					
Total Period Return	71.44%	122.47%	64.08%	21.74%	
Annualised Geometric Return	16.23%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	22.15%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	6.07%	0.53%	-4.50%	-1.72%	

Consistency Analysis					
% Up Months	90.70%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	100.00%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	3.40%	13.39%	10.96%	6.41%	

Risk/Downside Analysis					
Annualised Downside Deviation (RF)	0.92%	5.96%	5.81%	4.19%	
Largest Drawdown	1.16%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	0.25%	4.27%	3.93%	3.01%	

Risk Return Analysis					
Gain / Loss Ratio	44.55	4.13	2.88	2.16	
Sharpe Ratio - Annualised	3.30	1.54	0.94	0.12	
Sortino Ratio - Annualised	12.24	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	14.38	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	67.11	5.86	3.13	2.53	

Correlation Analysis					
Cerberus	1.00	0.34	0.30	0.14	
S&P 500	0.34	1.00	0.82	0.06	
MSCI World Free	0.30	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	0.14	0.06	0.26	1.00	

Source: Financial Risk Management Ltd.



**Chesapeake Select Ltd.****Style: CTA, Trend-follower****Management Philosophy**

Chesapeake is a Commodity Trading Advisor (CTA) that uses a technical, trend-following system which relies on analysis of price data from the markets. The focus of Chesapeake's trading approach is primarily in three areas: systematic trading, preservation of capital, and diversification. The Fund's goal is to follow the market's lead in a systematic, disciplined manner. When a market indicates a directional bias, Chesapeake's proprietary trading system seeks to recognize the opportunity and initiates either a long or a short position. A strict, systematic trading approach enables Chesapeake to establish loss-limit points on any single investment. By combining multiple investment strategies, each with strengths in different market environments, more profit opportunities are created. Further, a multi-market approach increases the likelihood of participating in a market experience a major trend.

**Manager**

Mr. R. Jerry Parker, Jr. is the President, Treasurer, Director, sole shareholder and a principal of the advisor, Chesapeake Capital Corp. Mr. Parker worked in the accounting field for four years after graduating from college and became a licensed Certified Public Accountant in Virginia in 1982. From January 1983 until November 1983, Mr. Parker was a CPA at Wilkinson & Lester, a certified public accounting firm based in Richmond, Virginia. From November 1983 until January 1987, Mr. Parker was employed as an exempt CTA by Richard Dennis, a principal and shareholder of Richard J. Dennis & Company, a Chicago-based CTA and CPO registered with the CFTC, in his "Turtle" training program. During these periods, Mr. Parker had complete discretionary trading authority over a futures portfolio of USD 1m. to USD 1.5m. In February 1988, Mr. Parker ceased trading for Richard Dennis and formed Chesapeake Capital Corp. Mr. Parker received his Bachelors of Science degree in Commerce, with an emphasis in Accounting, from the University of Virginia in January 1980.

**Management Corp.:**

Chesapeake Capital Corporation, Richmond

**Jurisdiction:**

Guernsey, Channel Islands

**Inception:**

August 1993

**Assets of the Fund (12/96):**

USD 21 million

**Assets in Strategy (12/96):**

USD 980 million

**Total Assets (12/96):**

USD 1'030 million

**Administrator:**

Butterfield Fund Managers (Guernsey) Ltd.

**Auditors:**

Deloitte Touche Tohmatsu International

**Subscriptions:**

Monthly

**Redemptions:**

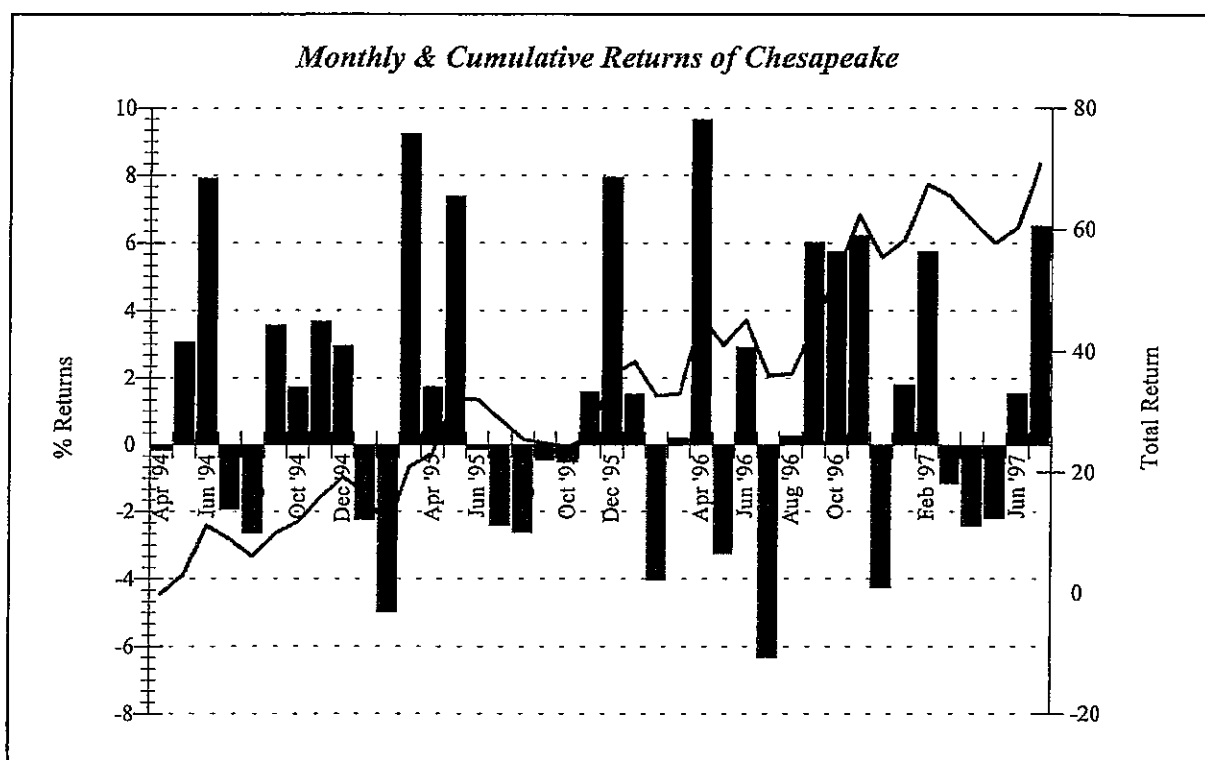
Monthly

**Minimum investment:**

USD 500'000

**NAV published:**

Monthly


**Chesapeake Select Ltd.**
**Style: CTA, Trend-follower**


<b>Date Range:</b>	Apr '94 ~ Jul '97	<b>Chesapeake</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	40				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD

Return Analysis					
<i>Total Period Return</i>	70.72%	131.22%	63.87%	20.36%	
<i>Annualised Geometric Return</i>	17.40%	28.59%	15.97%	5.72%	
<i>Best 12 Month Rolling Return</i>	28.77%	51.72%	30.65%	20.60%	
<i>Worst 12 Month Rolling Return</i>	5.62%	15.54%	6.40%	-1.72%	

Consistency Analysis					
<i>% Up Months</i>	57.50%	82.50%	72.50%	60.00%	
<i>% Up 12 Month Rolling Returns</i>	100.00%	100.00%	100.00%	82.76%	
<i>Annualised Standard Deviation</i>	17.03%	13.07%	10.22%	6.64%	

Risk/Downside Analysis					
<i>Annualised Downside Deviation (RF)</i>	8.04%	5.30%	5.26%	4.35%	
<i>Largest Drawdown</i>	7.14%	4.42%	5.53%	6.59%	
<i>Average of Largest 5 Drawdowns</i>	6.04%	3.37%	3.10%	3.01%	

Risk/Return Analysis					
<i>Gain / Loss Ratio</i>	2.36	5.46	3.38	2.10	
<i>Sharpe Ratio - Annualised</i>	0.79	1.84	1.10	0.11	
<i>Sortino Ratio - Annualised</i>	1.66	4.54	2.13	0.16	
<i>Average Growth / Max Drawdown Ratio</i>	2.32	6.17	2.48	1.19	
<i>Average Growth / Average Drawdown Ratio</i>	2.74	8.10	4.42	2.59	

Correlation Analysis					
<i>Chesapeake</i>	1.00	0.15	0.25	0.14	
<i>S&amp;P 500</i>	0.15	1.00	0.81	0.05	
<i>MSCI World Free</i>	0.25	0.81	1.00	0.27	
<i>Salomon WGBI 3-7 yrs</i>	0.14	0.05	0.27	1.00	

**Source: Financial Risk Management Ltd.**

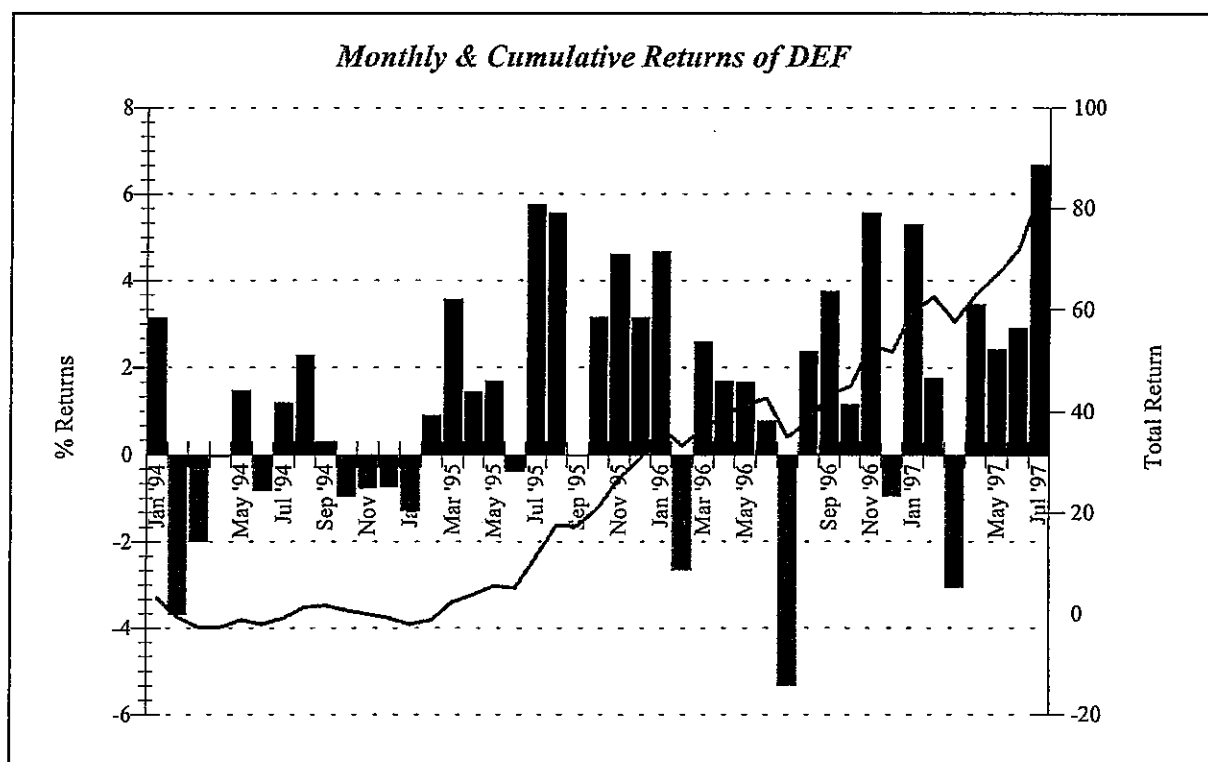
**DEF Associates N.V.****Style: Multi-Manager-Fund, Global Macro**

<b>Management Philosophy:</b>	DEF Associates N.V. principally operates as a fund of funds. It invests in marketable securities, other funds, private transactions, and it also has 36% of its net assets invested in First Eagle N.V., Aetos and Aquila combined, which are Arnhold & Bleichroeder in-house-funds. About one third of the funds are invested in the Quantum group of funds.
<b>Manager:</b>	Henry H. Arnhold, Co-Chairman of the Board of Directors of Arnhold and S. Bleichroeder, Inc., has been involved with the fund since inception. He has managed the fund for nearly 20 years. Arnhold and S. Bleichroeder is successor corporation to two German banking houses - Gebr. Arnhold, founded in Dresden in 1864 and S. Bleichroeder, founded in Berlin in 1803. Arnhold and S. Bleichroeder moved its operation to New York City in 1937 and since then has used its experience and worldwide contacts to provide asset management, global securities research and trading, and investment banking services to substantial clients both in the U.S. and abroad.
<b>Management Corp.:</b>	Arnhold & S. Bleichroeder, Inc., New York
<b>Jurisdiction:</b>	Netherlands Antilles
<b>Inception:</b>	December 1968
<b>Assets of the Fund (12/96):</b>	USD 379 million
<b>Assets in Strategy (12/96):</b>	USD 379 million
<b>Total Assets (12/96):</b>	USD 1'680 million
<b>Administrator:</b>	CITCO Fund Services (Curacao) N.V.
<b>Auditors:</b>	KPMG Accountants
<b>Subscriptions:</b>	Currently Closed
<b>Redemptions:</b>	Shares are traded occasionally over-the-counter, official redemption twice a year (June, December) 1% redemption fee
<b>Minimum investment:</b>	Currently Closed
<b>NAV published:</b>	Daily



DEF Associates N.V.

Style: Multi-Manager-Fund, Global Macro



Date Range:	Jan '94 ~ Jul '97	DEF	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD

Return Analysis					
Total Period Return	83.30%	122.47%	64.08%	21.74%	
Annualised Geometric Return	18.42%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	39.89%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	-5.10%	0.53%	-4.50%	-1.72%	

Consistency Analysis					
% Up Months	69.77%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	90.63%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	11.06%	13.39%	10.96%	6.41%	

Risk/Downside Analysis					
Annualised Downside Deviation (RF)	5.26%	5.96%	5.81%	4.19%	
Largest Drawdown	5.69%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	3.54%	4.27%	3.93%	3.01%	

Risk/Return Analysis					
Gain / Loss Ratio	3.75	4.13	2.88	2.16	
Sharpe Ratio - Annualised	1.25	1.54	0.94	0.12	
Sortino Ratio - Annualised	2.63	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	3.39	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	5.45	5.86	3.13	2.53	

Correlation Analysis					
DEF	1.00	0.73	0.62	-0.22	
S&P 500	0.73	1.00	0.82	0.06	
MSCI World Free	0.62	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	-0.22	0.06	0.26	1.00	

Source: Financial Risk Management Ltd.

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

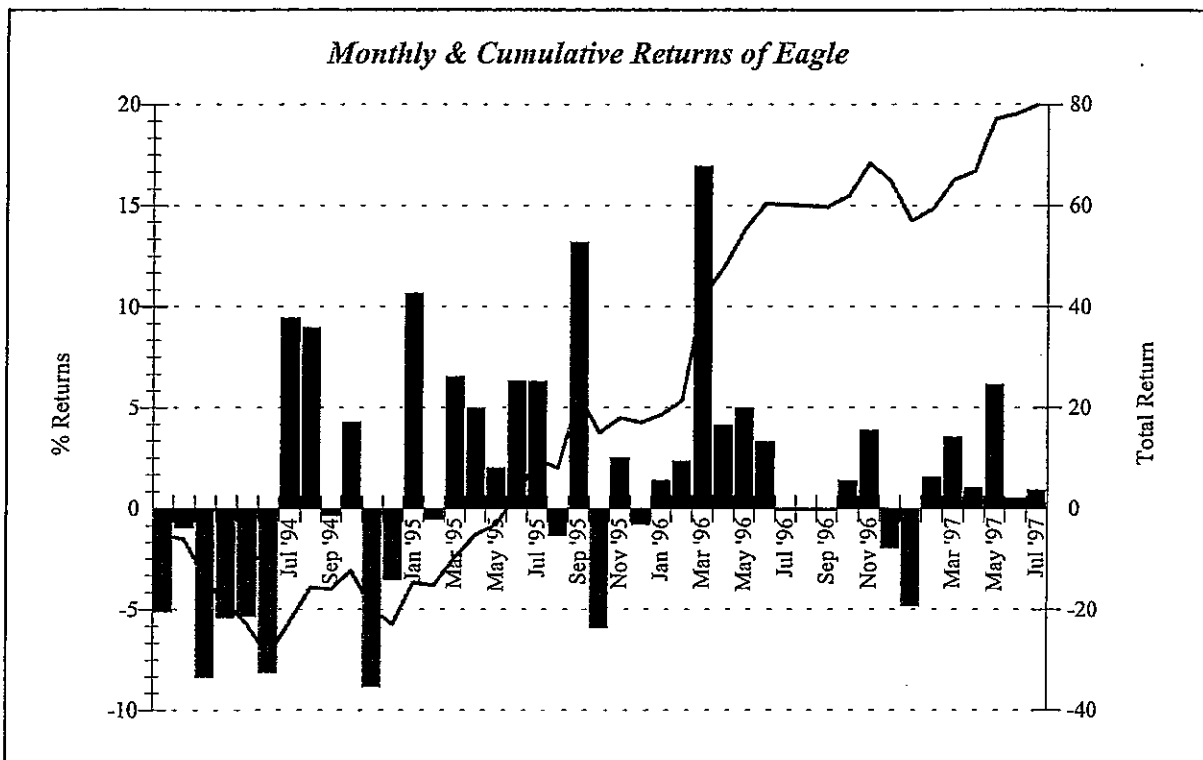
**Eagle Select Fund Ltd.****Style: Long / Short Equities**

**Management Philosophy:** The objective of the Eagle Select Fund Ltd. is to achieve high returns by investing in companies that are dominant competitors in their industries, have demonstrated superior profitability, and are growing rapidly. Earnings per share of the Fund's investments will typically grow between 25 and 60 percent annually.

**Manager** F. Hardy Bowen, Senior Vice President of Arnhold and S. Bleichroeder, Inc. was the firm's Director of Research for more than 12 years. As Director of Global Economics and Investment Strategy for the firm, he analyzes market price movement, economics, interest rates, market valuation, exchange rates, stocks and a broad range of businesses in developed and developing countries around the world. He has 25 years of experience in growth stock investing.

Arnhold and S. Bleichroeder is successor corporation to two German banking houses - Gebr. Arnhold, founded in Dresden in 1864 and S. Bleichroeder, founded in Berlin in 1803. Arnhold and S. Bleichroeder moved its operation to New York City in 1937 and since then has used its experience and worldwide contacts to provide asset management, global securities research and trading, and investment banking services to substantial clients both in the U.S. and abroad.

<b>Management Corp.:</b>	Arnhold & S. Bleichroeder, Inc., New York
<b>Jurisdiction:</b>	Netherlands Antilles
<b>Inception:</b>	October 1996
<b>Assets of the Fund (12/96):</b>	USD 53 million
<b>Assets in Strategy (12/96):</b>	USD 108 million
<b>Total Assets (12/96):</b>	USD 1'680 million
<b>Administrator:</b>	CITCO Fund Services (Curacao) N.V.
<b>Auditors:</b>	KPMG Accountants, Curacao
<b>Subscriptions:</b>	Currently Closed
<b>Redemptions:</b>	Quarterly
<b>Minimum investment:</b>	USD 50'000
<b>NAV published:</b>	Monthly


**Eagle Select Fund Ltd.**
**Style: Long / Short Equities**


Date Range:	Jan '94 ~ Jul '97	Eagle*	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD

Return Analysis					
Total Period Return	79.88%	122.47%	64.08%	21.74%	
Annualised Geometric Return	17.80%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	60.22%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	-22.86%	0.53%	-4.50%	-1.72%	

Consistency Analysis					
% Up Months	58.14%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	90.63%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	23.25%	13.39%	10.96%	6.41%	

Risk/Downside Analysis					
Annualised Downside Deviation (RF)	11.59%	5.96%	5.81%	4.19%	
Largest Drawdown	29.23%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	8.72%	4.27%	3.93%	3.01%	

Risk/Return Analysis					
Gain / Loss Ratio	2.06	4.13	2.88	2.16	
Sharpe Ratio - Annualised	0.64	1.54	0.94	0.12	
Sortino Ratio - Annualised	1.28	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	1.05	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	3.53	5.86	3.13	2.53	

Correlation Analysis					
Eagle	1.00	0.36	0.34	0.29	
S&P 500	0.36	1.00	0.82	0.06	
MSCI World Free	0.34	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	0.29	0.06	0.26	1.00	

**Source: Financial Risk Management Ltd.**

\*Contains data from Eagle Select Track Record (Nov'90 - Oct'96).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

**Everest Capital International Ltd.****Style: Event Driven****Management Philosophy**

The Fund invests on a worldwide basis using an opportunistic value approach. The Investment Manager focuses on debt and equity securities which it believes are neglected, distressed or inefficiently priced as well as Capital Structure Arbitrage and special situations. Accordingly, the Fund will typically have substantial investments in distressed corporate or distressed sovereign securities, some of which may be in default or bankruptcy. In a Capital Structure Arbitrage, the Fund will purchase long and sell short two securities of the same issuer in order to exploit market pricing inefficiencies. The Investment Manager may also focus on discrete events that seem likely to materially affect the value of an issuer. Such events may include the restructuring or reorganization of a company's operations or balance sheet, tender or exchange offers, acquisitions or divestitures of assets or lines of business, spin-offs, the turnaround of a depressed business or significant changes in management.

**Manager**

Mr. Dimitrijevic is President of Everest Capital Ltd. From 1981 to 1983, Mr. Dimitrijevic worked in the portfolio management department for Compagnie de Banque et de Credit S.A., a Swiss bank specializing in portfolio management. In 1985 and 1986 he worked as an associate in the M&A department and as an analyst in the "high-yield" bond trading department of PaineWebber Inc., New York. From 1986 until 1989 with Triangle Industries, Inc., a Fortune 500 packaging company. From January 1989 to May 1990 he was a Senior VP-Investments of Trian Group, L.P., a private investment partnership. At both Triangle Industries, Inc. and Trian Group, L.P. Mr. Dimitrijevic analyzed, structured and negotiated acquisitions and financings and managed large securities portfolios. In February 1991, Mr. Dimitrijevic formed Everest Capital Fund, L.P. He graduated from the University of Lausanne in 1981. He received an MBA in 1985 from the Stanford Graduate School of Business where he was an Arjay Miller Scholar.

**Management Corp.:**

Everest Capital Limited, Bermuda

**Jurisdiction:**

British Virgin Islands

**Inception:**

January 1992

**Assets of the Fund (12/96):**

USD 645 million

**Assets in Strategy (12/96):**

USD 940 million

**Total Assets (12/96):**

USD 1'150 million

**Administrator:**

The Bank of Bermuda Ltd.

**Auditors:**

KPMG Peat Marwick, Bermuda

**Subscriptions:**

Currently closed

**Redemptions:**

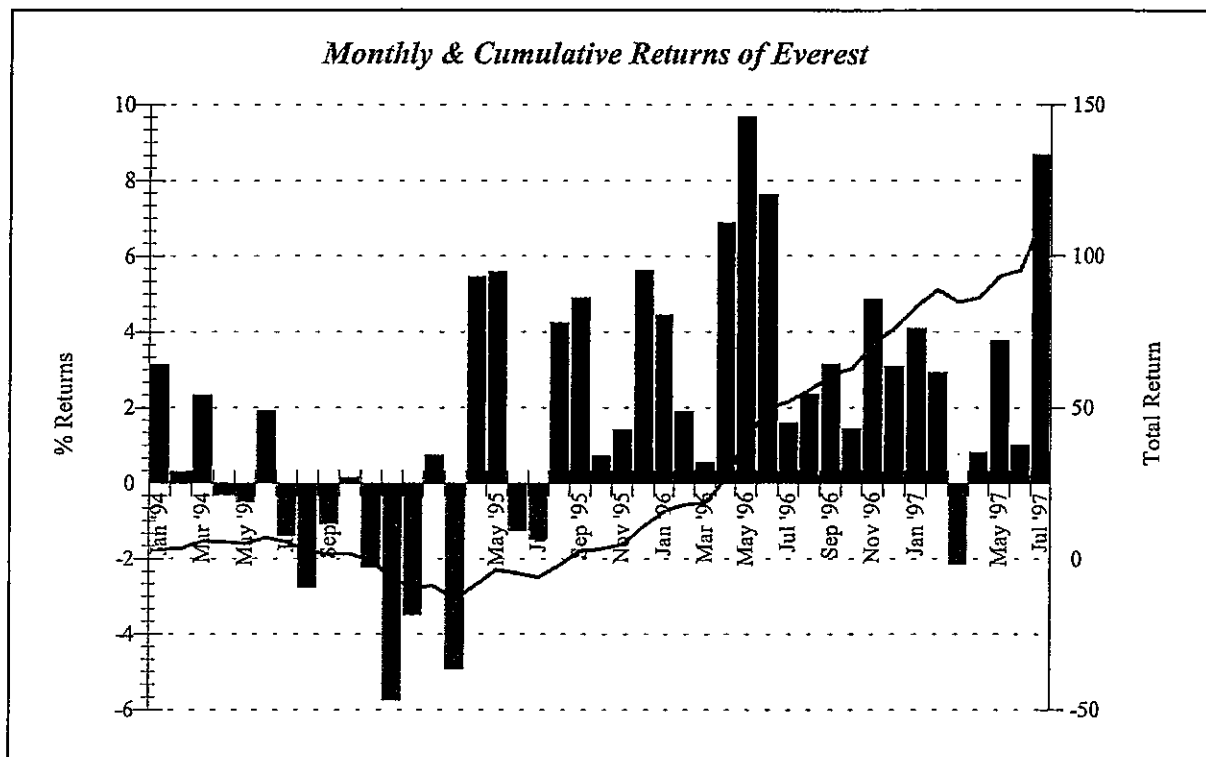
Annually

**Minimum investment:**

USD 2'000'000

**NAV published:**

Monthly


**Everest Capital International Ltd.**
**Style: Event Driven**


Date Range:	Jan '94 ~ Jul '97	Everest	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD
Return Analysis					
Total Period Return	112.35%	122.47%	64.08%	21.74%	
Annualised Geometric Return	23.39%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	62.99%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	-18.23%	0.53%	-4.50%	-1.72%	
Consistency Analysis					
% Up Months	72.09%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	71.88%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	14.68%	13.39%	10.96%	6.41%	
Risk/Downside Analysis					
Annualised Downside Deviation (RF)	6.15%	5.96%	5.81%	4.19%	
Largest Drawdown	19.11%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	4.42%	4.27%	3.93%	3.01%	
Risk/Return Analysis					
Gain / Loss Ratio	3.86	4.13	2.88	2.16	
Sharpe Ratio - Annualised	1.30	1.54	0.94	0.12	
Sortino Ratio - Annualised	3.11	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	1.39	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	6.02	5.86	3.13	2.53	
Correlation Analysis					
Everest	1.00	0.27	0.18	-0.23	
S&P 500	0.27	1.00	0.82	0.06	
MSCI World Free	0.18	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	-0.23	0.06	0.26	1.00	
Source: Financial Risk Management Ltd.					

Source: Financial Risk Management Ltd.



**Forest Fulcrum Fund, Ltd.****Style: Market Neutral****Management Philosophy**

Forest Fulcrum Fund, Ltd. pursues convertible hedging on a leveraged basis. The portfolio consists of U.S. dollar denominated convertible securities and other equity-linked instruments that are hedged on a non-directional, or market neutral basis through the short sale of their underlying equities or other equity-related securities. The portfolio managers, in conjunction with the research staff, will establish hedge positions reflecting not only favorable mathematical relationships between a given convertible security and a related equity security, but also the combination of fundamental, technical and statistical factors available to the Fund from both internal and external sources.

**Manager**

Michael A. Boyd is the senior portfolio manager and the Chairman of the Investment Manager. Mr. Boyd has 28 year experience in investment management specializing in convertible securities, options and arbitrage trading. Prior to founding Forest Investment Management, Mr. Boyd was general partner of McMahan Securities Co. Prior to joining McMahan Securities, Mr. Boyd established Boyd, Upton & Company, a member of the New York Stock Exchange and Chicago Board of Options Exchange, specializing in arbitrage trading. Prior to forming Boyd, Upton, Mr. Boyd traded convertible securities at Goldman Sachs, Dean Witter Reynolds, and Kidder Peabody.

**Management Corp.:**

Forest Investment Management L.P., Connecticut

**Jurisdiction:**

Bermuda

**Inception:**

September 1994

**Assets of the Fund (12/96):**

USD 40 million

**Assets in Strategy (12/96):**

USD 170 million

**Total Assets (12/96):**

USD 176 million

**Administrator:**

The Bank of Bermuda Ltd.

**Auditors:**

Arthur Morris & Co.

**Subscriptions:**

Monthly

**Redemptions:**

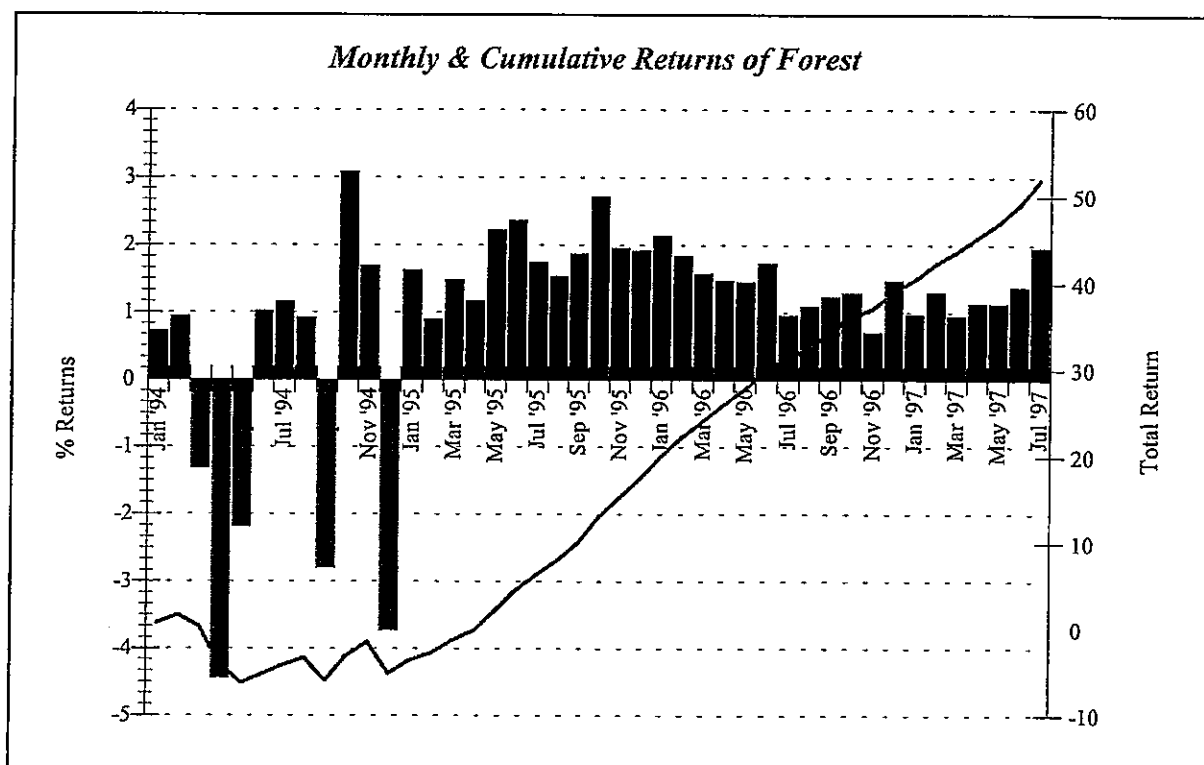
Monthly

**Minimum investment:**

USD 250'000

**NAV published:**

Monthly


**Forest Fulcrum Fund, Ltd.**
**Style: Market Neutral**


<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Forest*</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD

Return Analysis					
Total Period Return	51.96%	122.47%	64.08%	21.74%	
Annualised Geometric Return	12.39%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	26.14%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	-5.12%	0.53%	-4.50%	-1.72%	
Consistency Analysis					
% Up Months	88.37%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	87.50%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	6.04%	13.39%	10.96%	6.41%	
Risk/Downside Analysis					
Annualised Downside Deviation (RF)	4.32%	5.96%	5.81%	4.19%	
Largest Drawdown	7.78%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	1.56%	4.27%	3.93%	3.01%	
Risk/Return Analysis					
Gain / Loss Ratio	3.94	4.13	2.88	2.16	
Sharpe Ratio - Annualised	1.24	1.54	0.94	0.12	
Sortino Ratio - Annualised	1.73	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	1.98	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	9.91	5.86	3.13	2.53	
Correlation Analysis					
Forest	1.00	0.21	0.13	0.05	
S&P 500	0.21	1.00	0.82	0.06	
MSCI World Free	0.13	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	0.05	0.06	0.26	1.00	

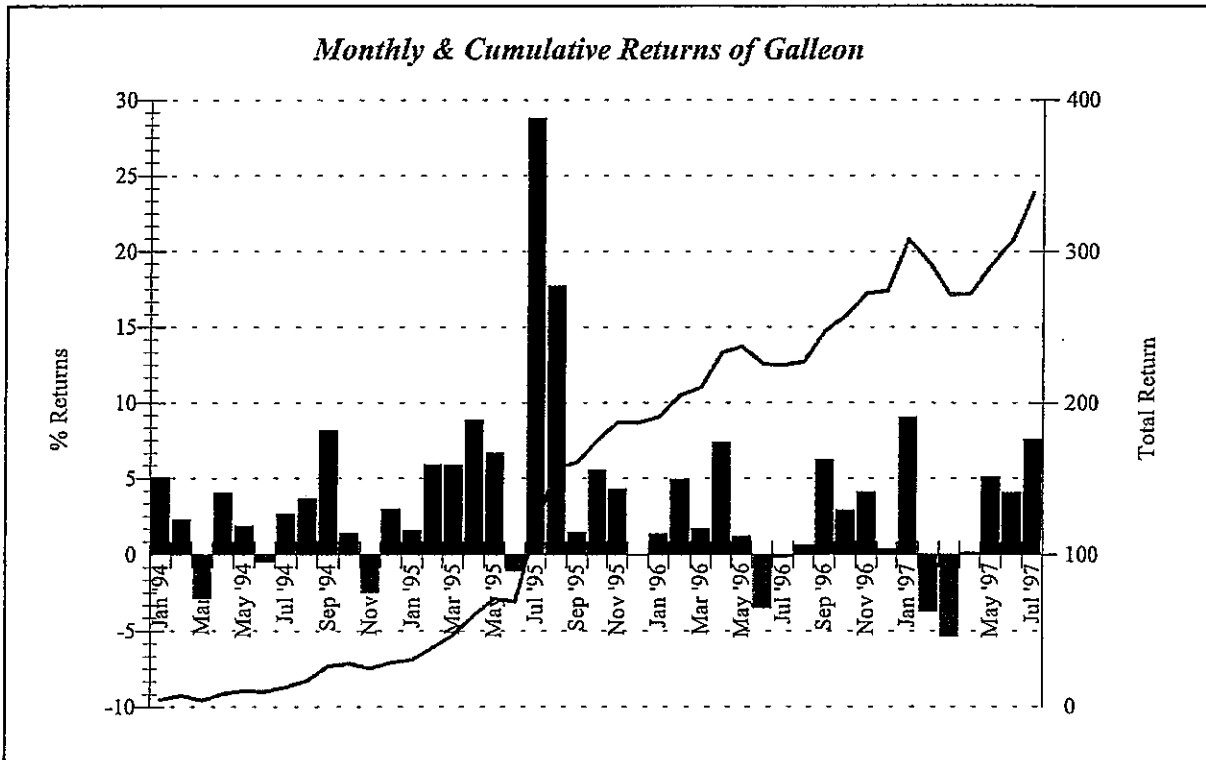
**Source: Financial Risk Management Ltd.**

\*Contains data from Forest Fulcrum Fund L.P. (Mar'93 - Sep'94).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

**Galleon International Fund, Ltd.****Style: Long / Short Equities**

<b>Management Philosophy</b>	The Fund invests in public emerging growth companies. The Manager finds investment opportunities in the information (e.g. software, computers, consumer electronics, semi-conductors and communications), health care (e.g. biotechnology, drug delivery, medical technology and services, such as HMOs) and specialty retailing industries. Investments will generally consist of long positions in, and options on, equity securities of public companies which the Investment Manager believes to be undervalued and short positions in, and options on, such companies when the Investment Manager believes them to be overvalued.
<b>Manager</b>	Raj Rajaratnam, the Fund Manager of Galleon International left Needham & Company at the end of 1996 to establish his own asset management firm. Before that he was a managing partner and the President and Chief Operating Officer of Needham & Company. Mr. Rajaratnam joined Needham & Company in August 1985 as an analyst following the electronics sector. He was formerly the Managing Director of Investment Analysis with overall responsibility for the firm's technology, health care and specialty retailing investment analysis. In 1989 he was appointed Chief Operating Officer and in 1991 he was appointed President. Mr. Rajaratnam received an MBA in Finance from the Wharton School, University of Pennsylvania in May 1983.
<b>Management Corp.:</b>	Galleon Management LLC
<b>Jurisdiction:</b>	Bermuda
<b>Inception:</b>	Juli 1995
<b>Assets of the Fund (12/96):</b>	USD 105 million
<b>Assets in Strategy (12/96):</b>	USD 235 million
<b>Total Assets (12/96):</b>	USD 267 million
<b>Administrator:</b>	The Bank of Bermuda Limited
<b>Auditors:</b>	Ernst & Young, Bermuda
<b>Subscriptions:</b>	Monthly
<b>Redemptions:</b>	Monthly
<b>Minimum investment:</b>	USD 250'000
<b>NAV published:</b>	Monthly


**Galleon International Fund, Ltd.**
**Style: Long / Short Equities**


Date Range:	Jan '94 ~ Jul '97	Galleon*	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD

Return Analysis				
Total Period Return	338.69%	122.47%	64.08%	21.74%
Annualised Geometric Return	51.08%	25.00%	14.82%	5.64%
Best 12 Month Rolling Return	128.71%	51.72%	30.65%	20.60%
Worst 12 Month Rolling Return	11.69%	0.53%	-4.50%	-1.72%

Consistency Analysis				
% Up Months	79.07%	79.07%	69.77%	60.47%
% Up 12 Month Rolling Returns	100.00%	100.00%	93.75%	84.38%
Annualised Standard Deviation	29.68%	13.39%	10.96%	6.41%

Risk/Downside Analysis				
Annualised Downside Deviation (RF)	5.28%	5.96%	5.81%	4.19%
Largest Drawdown	8.90%	6.95%	5.89%	6.59%
Average of Largest 5 Drawdowns	3.82%	4.27%	3.93%	3.01%

Risk/Return Analysis				
Gain / Loss Ratio	8.88	4.13	2.88	2.16
Sharpe Ratio - Annualised	1.64	1.54	0.94	0.12
Sortino Ratio - Annualised	9.19	3.46	1.77	0.18
Average Growth / Max Drawdown Ratio	6.98	3.60	2.09	1.16
Average Growth / Average Drawdown Ratio	16.26	5.86	3.13	2.53

Correlation Analysis				
Galleon	1.00	0.34	0.33	-0.07
S&P 500	0.34	1.00	0.82	0.06
MSCI World Free	0.33	0.82	1.00	0.26
Salomon WGBI 3-7 yrs	-0.07	0.06	0.26	1.00

**Source: Financial Risk Management Ltd.**

\*Contains data from Needham Emerging Growth Partners L.P. (LINK) (Jul'92 - Jul'95).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

**GHS International Fund, Ltd.****Style: Long / Short Equities****Management Philosophy**

The goal of GHS International Fund is to generate consistently superior returns on capital through investments in the public securities markets. Investments will be focused in the U.S. stock market, but may also include a wide variety of other securities, including, among others, foreign securities of issuers outside the U.S., options and debt securities. The investment strategy includes both the purchase and short sale of various securities. The investment strategy is value-driven, with investments based on in-depth research and analysis of specific company fundamentals. The Investment Advisor does not attempt to "call the market". Rather, it looks for companies whose securities are significantly mispriced by the market, identifies the forces that will close the value/price gap.

**Manager**

G. Houston Hall's working career started at Dillon, Read & Co. Inc. in New York City for three years in public finance and government bond departments. Mr. Hall left Dillon, Read in late 1985 to join Weber, Hall, Sale & Associates, Inc. ("WHSA"). After six months trading NYFE stock-index futures and options for the account of WHSA in New York, Mr. Hall moved to Dallas where he focused his efforts entirely on the public equity markets. He left WHSA in February 1991 to devote all his energies to the management of the funds of GHS Management. He attended Harvard College, earning a B.A. in Economics in 1982. James C. Smith practiced as a CPA for three years at Arthur Andersen & Co. in Dallas. From 1981 to 1985, Mr. Smith worked in several financial and lending capacities, including commercial real estate lending at Texas Federal Savings. He subsequently operated as a private investor in public securities market until joining WHSA in late 1987. At WHSA, Mr. Smith invested the firm's capital in the stock market. He left WHSA in February 1991 to manage the funds of GHS Management. James C. Smith, earned degrees from Harvard College and Wharton Business School (1978).

**Management Corp.:**

GHS Management, Inc.

**Jurisdiction:**

British Virgin Islands

**Inception:**

May 1994

**Assets of the Fund (12/96):**

USD 127 million

**Assets in Strategy (12/96):**

USD 276 million

**Total Assets (12/96):**

USD 276 million

**Administrator:**

Curacao International Trust Company N.V.

**Auditors:**

Moret Ernst &amp; Young

**Subscriptions:**

Monthly

**Redemptions:**

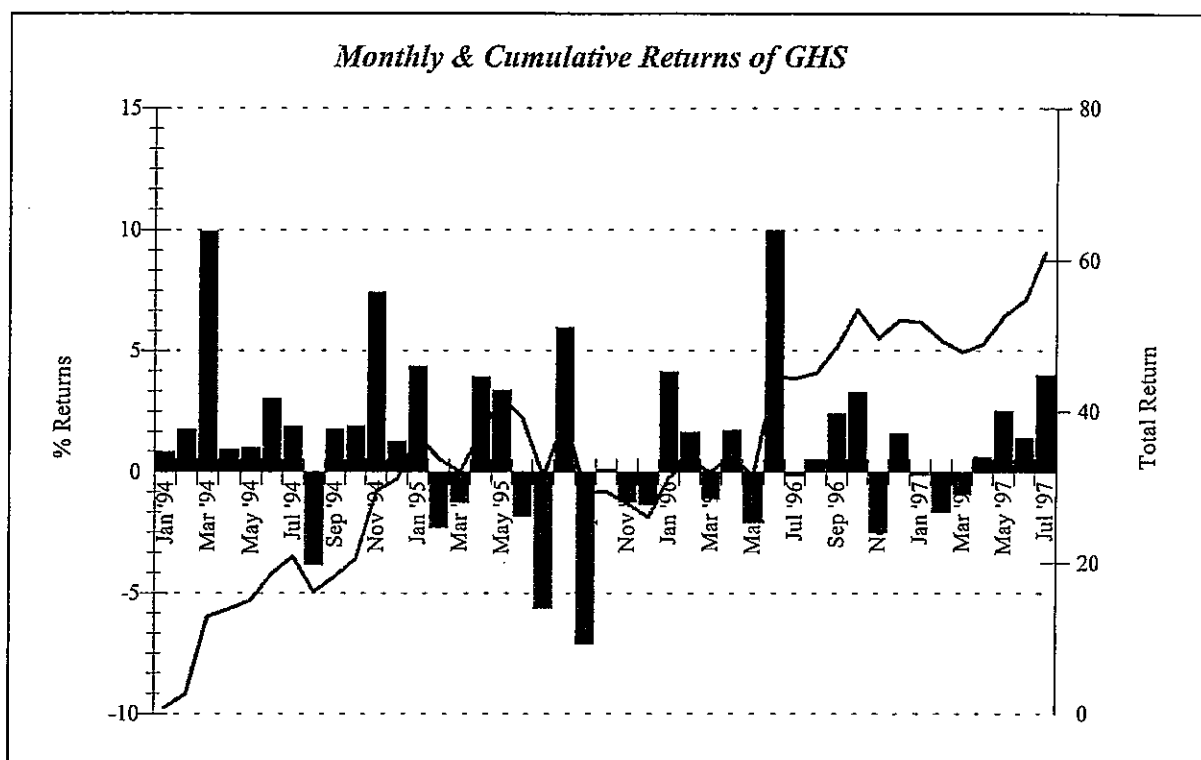
Monthly

**Minimum investment:**

USD 500'000

**NAV published:**

Monthly


**GHS International Fund, Ltd.**
**Style: Long / Short Equities**


Date Range:	Jan '94 ~ Jul '97	GHS*	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD
Return Analysis					
Total Period Return	60.99%	122.47%	64.08%	21.74%	
Annualised Geometric Return	14.21%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	35.73%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	-7.35%	0.53%	-4.50%	-1.72%	
Consistency Analysis					
% Up Months	65.12%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	78.13%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	13.63%	13.39%	10.96%	6.41%	
Risk/Downside Analysis					
Annualised Downside Deviation (RF)	7.07%	5.96%	5.81%	4.19%	
Largest Drawdown	11.13%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	4.48%	4.27%	3.93%	3.01%	
Risk/Return Analysis					
Gain / Loss Ratio	2.51	4.13	2.88	2.16	
Sharpe Ratio - Annualised	0.73	1.54	0.94	0.12	
Sortino Ratio - Annualised	1.40	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	1.06	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	2.62	5.86	3.13	2.53	
Correlation Analysis					
GHS	1.00	-0.31	-0.40	-0.20	
S&P 500	-0.31	1.00	0.82	0.06	
MSCI World Free	-0.40	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	-0.20	0.06	0.26	1.00	
Source: Financial Risk Management Ltd					

Source: Financial Risk Management Ltd.

\*Contains data from GHS Falcon Fund (LINK) (Oct'90 - Jun'94).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

**The Jaguar Fund N.V.****Style: Macro****Management Philosophy**

The Fund generally invests a significant portion of its assets in a broadly diversified and leveraged portfolio consisting primarily of long and short positions in equity securities (common and preferred stocks and warrants) and various convertible instruments. In addition, corporate bonds, options, futures contracts, currencies, commodities and other financial instruments may also be purchased. Generally, the Fund's core portfolio consists of over 300 positions. Further, the Fund invests a significant portion of its assets in non-U.S. securities, which provides additional diversification. Based on its assessment of fundamental values, the Investment Manager takes long positions in selected securities that he believes will appreciate substantially in market value and short positions in selected securities that he believes will decrease substantially in market value. The Fund also sells securities short to hedge long positions in its core portfolio. Although the Fund's core portfolio generally contains more aggregate long positions than short positions, it may from time to time be balanced relatively evenly or even in favor of shorts depending on the Investment Manager's perception of market trends.

**Manager**

Julian H. Robertson, Jr., Chairman and Chief Executive Officer, founded the Investment Manager, Tiger Management Company in 1980 and has served as Chairman since its inception. Prior to founding the Investment Manager, he spent 22 years at Kidder Peabody & Co. and held several positions, including Chairman and CEO of Webster Management Corporation, Kidder Peabody's investment advisory subsidiary. Mr. Robertson holds a B.S. degree in Business Administration from the University of North Carolina at Chapel Hill and also served as an officer for two years in the U.S. Navy.

**Management Corp.:**

Tiger Management, NY

**Jurisdiction:**

Netherlands Antilles

**Inception:**

January 1986

**Assets of the Fund (12/96):**

USD 5'250 million

**Assets in Strategy (12/96):**

USD 8'600 million

**Total Assets (12/96):**

USD 8'600 million

**Administrator:**

CITCO Curacao

**Auditors:**

Moret Ernst &amp; Young

**Subscriptions:**

Monthly

**Redemptions:**

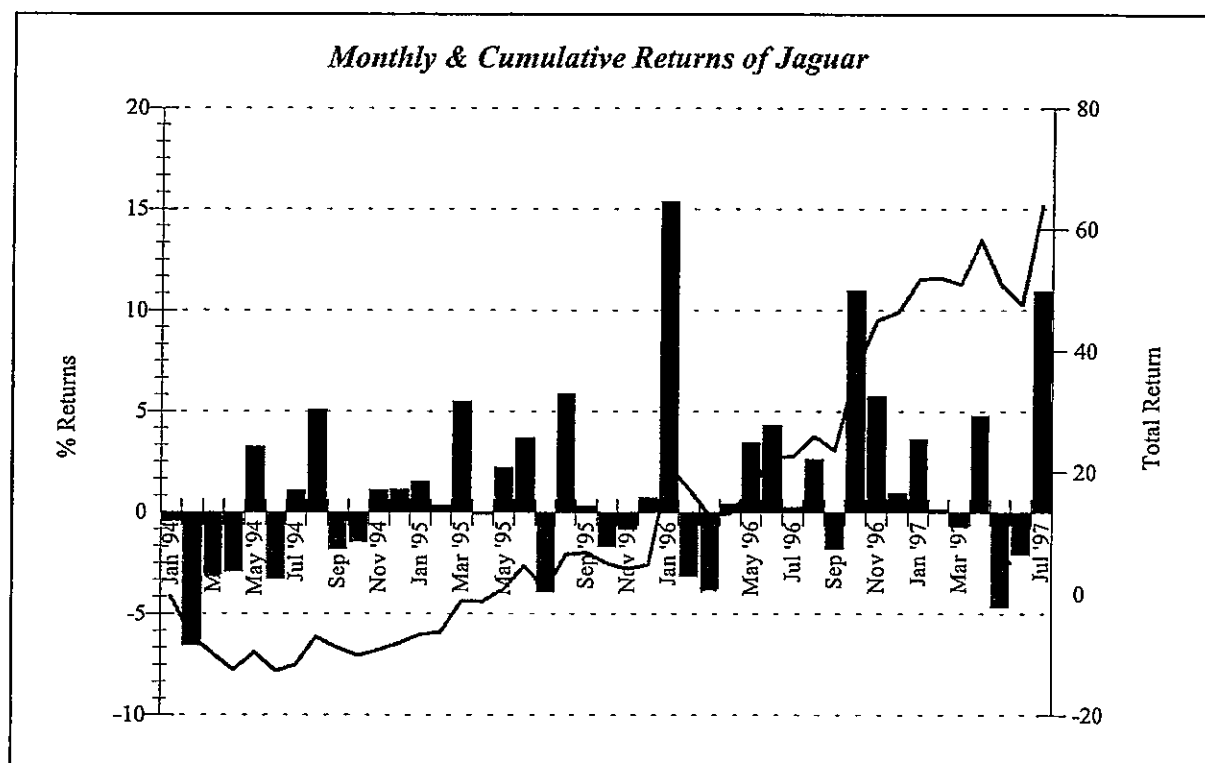
Quarterly

**Minimum investment:**

USD 3'000'000

**NAV published:**

Monthly


**The Jaguar Fund N.V.**
**Style: Macro**


<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Jaguar</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD
<b>Return Analysis</b>					
<i>Total Period Return</i>	63.86%	122.47%	64.08%	21.74%	
<i>Annualised Geometric Return</i>	14.78%	25.00%	14.82%	5.64%	
<i>Best 12 Month Rolling Return</i>	39.73%	51.72%	30.65%	20.60%	
<i>Worst 12 Month Rolling Return</i>	-8.17%	0.53%	-4.50%	-1.72%	
<b>Consistency Analysis</b>					
<i>% Up Months</i>	60.47%	79.07%	69.77%	60.47%	
<i>% Up 12 Month Rolling Returns</i>	93.75%	100.00%	93.75%	84.38%	
<i>Annualised Standard Deviation</i>	17.41%	13.39%	10.96%	6.41%	
<b>Risk/Downside Analysis</b>					
<i>Annualised Downside Deviation (RF)</i>	7.64%	5.96%	5.81%	4.19%	
<i>Largest Drawdown</i>	12.63%	6.95%	5.89%	6.59%	
<i>Average of Largest 5 Drawdowns</i>	6.51%	4.27%	3.93%	3.01%	
<b>Risk/Return Analysis</b>					
<i>Gain / Loss Ratio</i>	2.26	4.13	2.88	2.16	
<i>Sharpe Ratio - Annualised</i>	0.63	1.54	0.94	0.12	
<i>Sortino Ratio - Annualised</i>	1.43	3.46	1.77	0.18	
<i>Average Growth / Max Drawdown Ratio</i>	1.55	3.60	2.09	1.16	
<i>Average Growth / Average Drawdown Ratio</i>	3.00	5.86	3.13	2.53	
<b>Correlation Analysis</b>					
<i>Jaguar</i>	1.00	0.37	0.08	-0.21	
<i>S&amp;P 500</i>	0.37	1.00	0.82	0.06	
<i>MSCI World Free</i>	0.08	0.82	1.00	0.26	
<i>Salomon WGBI 3-7 yrs</i>	-0.21	0.06	0.26	1.00	

**Source: Financial Risk Management Ltd.**

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.



**The Javelin International Fund****Style: Long / Short****Management Philosophy**

The Fund trades and invests in Emerging Market Instruments selected for high growth and current income such as debt and equity securities. Emerging Countries will be selected at the discretion of the Manager and may include any country that is generally considered to be an emerging country or developing country by the International Bank for Reconstruction and Development, the International Finance Corporation, the United Nations, the European Bank for Reconstruction and Development, or their related multinational agencies or authorities. The investment objective of the Portfolio will be pursued by the Manager based on his overall assessment of economic and other factors prevailing in the world economy, the financial markets of Emerging Countries generally and specific Emerging Countries.

**Manager**

Scott Gordon joined ING in 1988 and held the position, until most recently, as head trader of ING Capital's global emerging markets business for both fixed income and equity. Mr. Gordon was also responsible for ING Capital's foreign exchange, financial derivatives, and U.S. government securities trading New York. In addition to these responsibilities, from 1992 to 1994, Mr. Gordon oversaw ING Capital's activity in domestic high yield and distressed debt trading. Prior to assuming his position as president of ING Emerging Markets Investors, Inc., Mr. Gordon was a senior managing director of ING Capital and member of the ING Capital Executive Committee. From 1983 to 1988, Mr. Gordon was employed by J.P. Morgan & Co. Inc. where he was one of the original members of their emerging markets sales and trading units. Mr. Gordon holds a B.A. in Economics from Bowdoin College (1983).

**Management Corp.:**

ING Emerging Markets Investors, Inc.

**Jurisdiction:**

Cayman Islands

**Inception:**

December 1995

**Assets of the Fund (12/96):**

USD 134 million

**Assets in Strategy (12/96):**

USD 156 million

**Total Assets (12/96):**

USD 204 million

**Administrator:**

State Street Cayman Trust Company, Ltd.

**Auditors:**

Price Waterhouse

**Subscriptions:**

Monthly

**Redemptions:**

Quarterly (2% charge for shares held less than 12 months)

**Minimum investment:**

USD 1'000'000

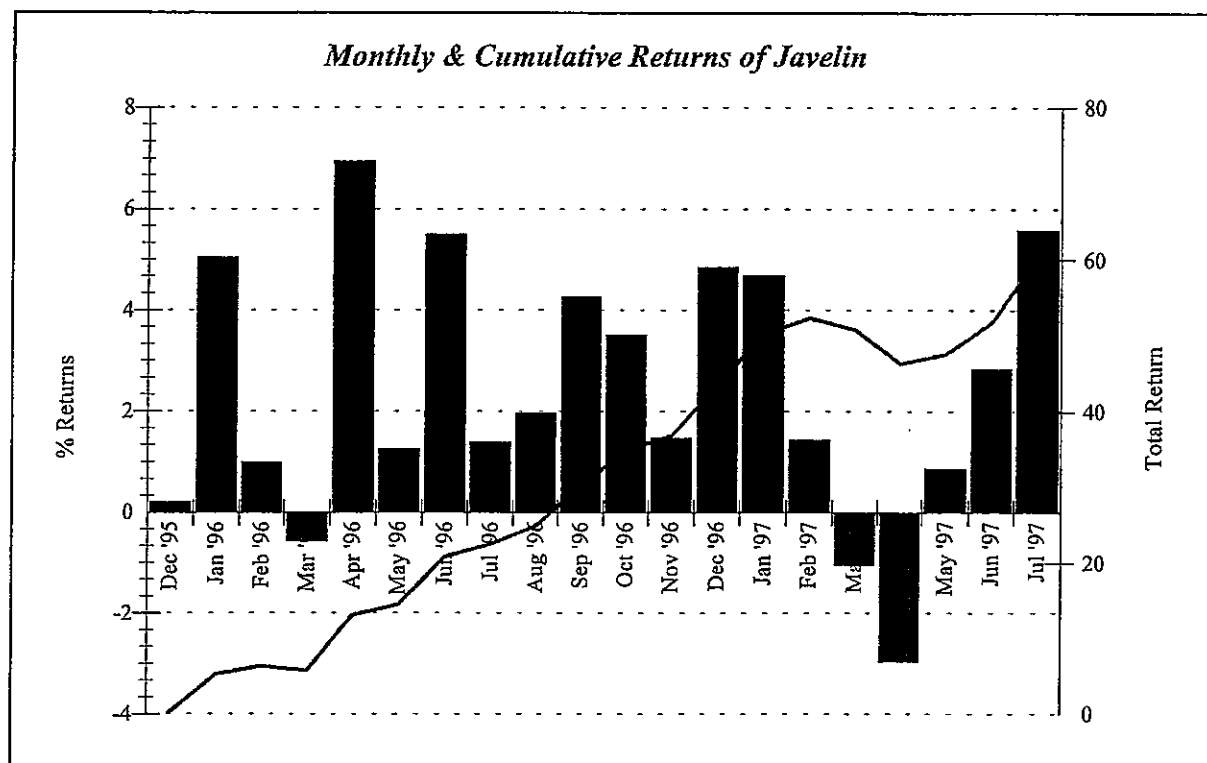
**NAV published:**

Monthly



# The Javelin International Fund

Style: Long / Short

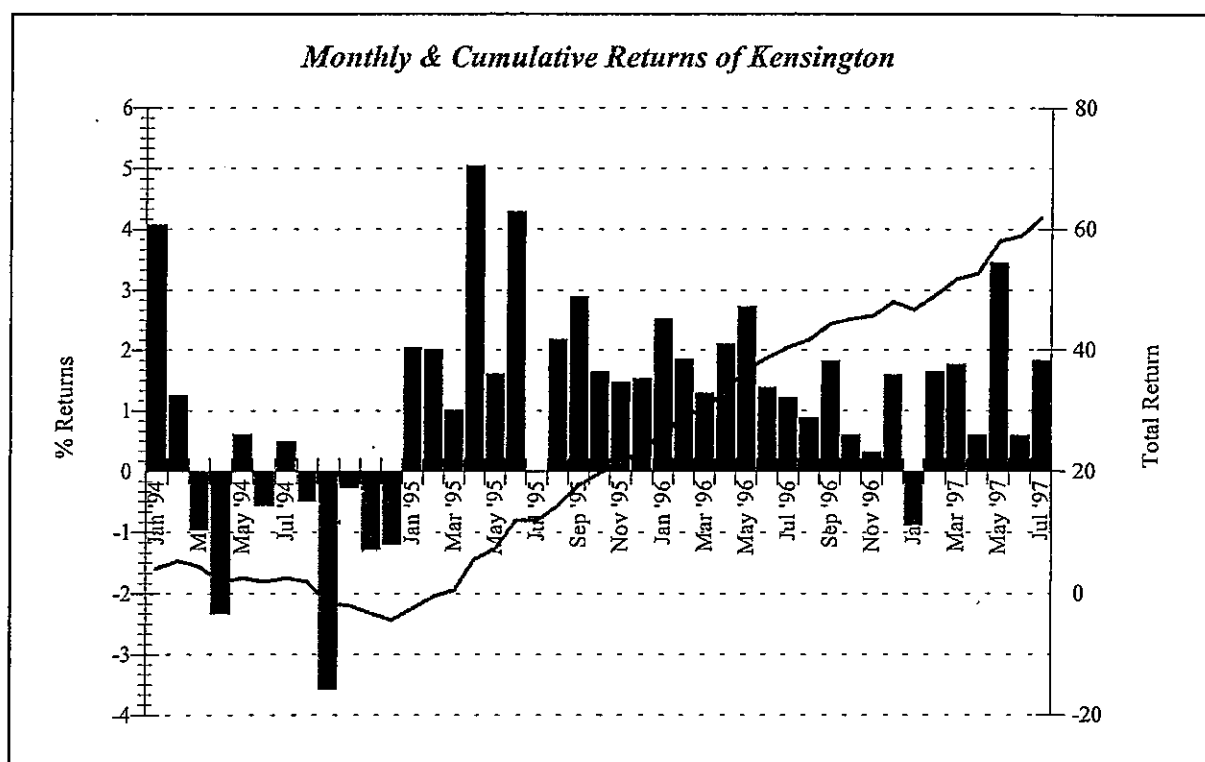


Date Range:	Dec '95 ~ Jul '97	Javelin	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	20				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD
Return Analysis					
Total Period Return	60.26%	62.73%	37.41%	-0.45%	
Annualised Geometric Return	32.71%	33.93%	21.01%	-0.27%	
Best 12 Month Rolling Return	43.27%	51.72%	30.65%	4.41%	
Worst 12 Month Rolling Return	25.62%	19.82%	7.65%	-1.72%	
Consistency Analysis					
% Up Months	85.00%	85.00%	80.00%	40.00%	
% Up 12 Month Rolling Returns	100.00%	100.00%	100.00%	66.67%	
Annualised Standard Deviation	11.66%	15.97%	10.56%	4.84%	
Risk/Downside Analysis					
Annualised Downside Deviation (RF)	3.21%	5.88%	4.45%	4.53%	
Largest Drawdown	3.99%	4.42%	3.69%	6.59%	
Average of Largest 5 Drawdowns	0.91%	2.10%	1.53%	1.75%	
Risk/Return Analysis					
Gain / Loss Ratio	11.52	5.80	5.26	0.97	
Sharpe Ratio - Annualised	2.40	1.86	1.54	-1.10	
Sortino Ratio - Annualised	8.74	5.05	3.66	-1.18	
Average Growth / Max Drawdown Ratio	9.01	6.64	4.03	0.17	
Average Growth / Average Drawdown Ratio	39.32	13.96	9.72	0.63	
Correlation Analysis					
Javelin	1.00	0.14	0.04	-0.21	
S&P 500	0.14	1.00	0.87	-0.18	
MSCI World Free	0.04	0.87	1.00	0.09	
Salomon WGBI 3-7 yrs	-0.21	-0.18	0.09	1.00	
Source: Financial Risk Management Ltd					

Source: Financial Risk Management Ltd.

**Kensington Global Strategies Fund, Ltd.****Style: Market Neutral**

<b>Management Philosophy</b>	The Fund engages principally in relative value trading strategies which involve the identification of assets which are not efficiently priced by the market in comparison to the prices of other related assets. The primary trading strategies currently used are convertible bond arbitrage, warrant arbitrage, statistical equity arbitrage and merger arbitrage. The Trading Manager uses mathematical/statistical techniques, generally computer-aided, in an attempt to identify sets of long and short positions where relative mispricing appear to exist. Within the general relative value framework of its strategy, the Trading Manager invests in a wide range of securities, including equities, convertible securities, warrants, options, corporate bonds, government bonds, financial futures, swaps and other instruments.
<b>Manager</b>	Kenneth C. Griffin is the President of Citadel Investment Group, L.L.C. Since 1987, he has been responsible for managing various partnerships and managed accounts utilizing relative value and event-driven investment and trading strategies. Prior to his work in investments, Mr. Griffin provided programming and consulting services to clients such as IBM, and co-founded Diskovery Software, Inc., a nationwide distributor of software to the educational community. Mr. Griffin graduated with honors from Harvard College with a B.A. in Economics.
<b>Management Corp.:</b>	Citadel Investment Group, L.L.C., Chicago
<b>Jurisdiction:</b>	Bermuda
<b>Inception:</b>	July 1995
<b>Assets of the Fund (12/96):</b>	USD 192 million
<b>Assets in Strategy (12/96):</b>	USD 540 million
<b>Total Assets (12/96):</b>	USD 540 million
<b>Administrator:</b>	Leeds Management Services Ltd. of Bermuda
<b>Auditors:</b>	Arthur Andersen & Co.
<b>Subscriptions:</b>	Monthly
<b>Redemptions:</b>	Quarterly
<b>Minimum investment:</b>	USD 500'000
<b>NAV published:</b>	Monthly


**Kensington Global Strategies Fund, Ltd.**
**Style: Market Neutral**


<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Kensington*</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD

Return Analysis					
<i>Total Period Return</i>	61.89%	122.47%	64.08%	21.74%	
<i>Annualised Geometric Return</i>	14.39%	25.00%	14.82%	5.64%	
<i>Best 12 Month Rolling Return</i>	29.77%	51.72%	30.65%	20.60%	
<i>Worst 12 Month Rolling Return</i>	-6.24%	0.53%	-4.50%	-1.72%	

Consistency Analysis					
<i>% Up Months</i>	79.07%	79.07%	69.77%	60.47%	
<i>% Up 12 Month Rolling Returns</i>	87.50%	100.00%	93.75%	84.38%	
<i>Annualised Standard Deviation</i>	6.62%	13.39%	10.96%	6.41%	

Risk/Downside Analysis					
<i>Annualised Downside Deviation (RF)</i>	3.27%	5.96%	5.81%	4.19%	
<i>Largest Drawdown</i>	9.26%	6.95%	5.89%	6.59%	
<i>Average of Largest 5 Drawdowns</i>	2.03%	4.27%	3.93%	3.01%	

Risk/Return Analysis					
<i>Gain / Loss Ratio</i>	5.23	4.13	2.88	2.16	
<i>Sharpe Ratio - Annualised</i>	1.44	1.54	0.94	0.12	
<i>Sortino Ratio - Annualised</i>	2.91	3.46	1.77	0.18	
<i>Average Growth / Max Drawdown Ratio</i>	1.77	3.60	2.09	1.16	
<i>Average Growth / Average Drawdown Ratio</i>	8.07	5.86	3.13	2.53	

Correlation Analysis					
<i>Kensington</i>	1.00	0.27	0.27	0.12	
<i>S&amp;P 500</i>	0.27	1.00	0.82	0.06	
<i>MSCI World Free</i>	0.27	0.82	1.00	0.26	
<i>Salomon WGBI 3-7 yrs</i>	0.12	0.06	0.26	1.00	

**Source: Financial Risk Management Ltd.**

\*Contains data from Citadel: Wellington Partners LP (Nov'90 - Jul'95).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

**Lattanzio International, Ltd.****Style: Macro****Management Philosophy**

Lattanzio International, Ltd. is an equity-oriented Fund with macro directional investment capability. The Fund is primarily focused on taking long and short positions in U.S. companies. Stock selection is based on fundamental analysis and short term trading opportunities. The fund also makes selective macro-directional investments in non-equity securities.

**Managers**

John Lattanzio is the managing member and founder of Lattanzio Group, L.L.C. Before forming the Investment Manager, Mr. Lattanzio was the head trader and a general partner of Steinhardt Partners, L.P. Beginning in 1979, he spent 17 years at the Steinhardt organization, where he was the most senior partner after Michael Steinhardt. From 1976 to 1979, Mr. Lattanzio traded technology and transportation stocks at Goldman, Sachs & Co. He spent an additional ten years in the equity business prior to 1976, including time as a member of the New York Stock Exchange. Michael Linn was a general partner of Steinhardt Partners, L.P. Hired by Steinhardt Partners in 1988, Mr. Linn was initially responsible for investing the personal capital of Michael H. Steinhardt and other principals of the firm in leveraged transactions. Paul D. Mastroddi was a managing director of J.P. Morgan and Co., Inc. until June 1996, and he was with that firm since 1985. He was chief market strategist, responsible for the development of J.P. Morgan's views on the G-10 bond and currency markets and for coordinating views on equities and emerging markets.

**Management Corp.:**

Lattanzio Group, L.L.C.

**Jurisdiction:**

Cayman Islands

**Inception:**

July 1996

**Assets of the Fund (12/96):**

USD 74 million

**Assets in Strategy (12/96):**

USD 110 million

**Total Assets (12/96):**

USD 110 million

**Administrator:**

Hemisphere Fund Managers Limited

**Auditors:**

Ernst &amp; Young, Hamilton

**Subscriptions:**

Monthly

**Redemptions:**

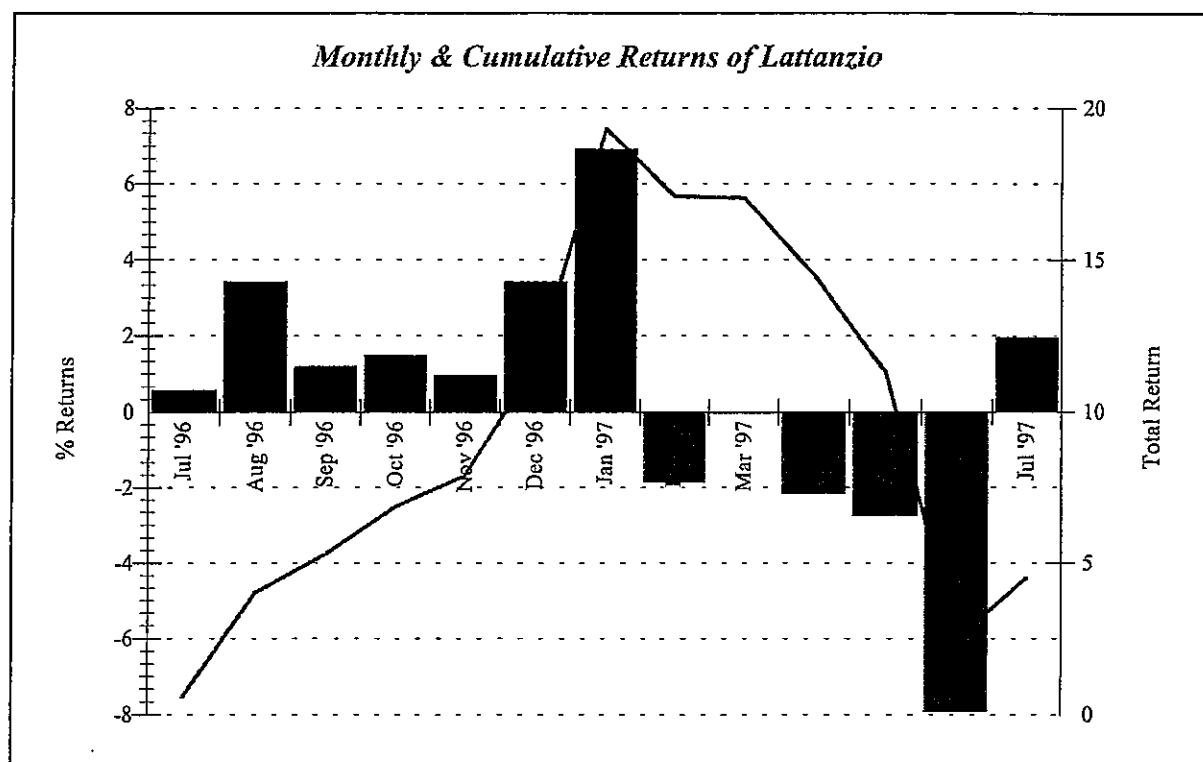
Monthly

**Minimum investment:**

USD 1'000'000

**NAV published:**

Monthly


**Lattanzio International, Ltd.**
**Style: Macro**


Date Range:	Jul '96 ~ Jul '97	Lattanzio	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	13				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD

Return Analysis					
Total Period Return	4.52%	45.02%	25.82%	0.43%	
Annualised Geometric Return	4.17%	40.93%	23.62%	0.39%	
Best 12 Month Rolling Return	3.91%	51.72%	30.65%	2.27%	
Worst 12 Month Rolling Return	2.50%	34.51%	20.43%	-1.72%	

Consistency Analysis					
% Up Months	61.54%	76.92%	76.92%	46.15%	
% Up 12 Month Rolling Returns	100.00%	100.00%	100.00%	50.00%	
Annualised Standard Deviation	13.13%	20.47%	13.13%	5.87%	

Risk/Downside Analysis					
Annualised Downside Deviation (RF)	10.07%	7.40%	5.58%	5.20%	
Largest Drawdown	14.09%	4.42%	3.69%	6.59%	
Average of Largest 5 Drawdowns	2.82%	2.10%	1.52%	1.32%	

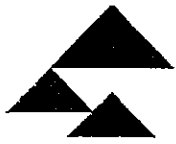
Risk/Return Analysis					
Gain / Loss Ratio	1.35	4.69	4.13	1.07	
Sharpe Ratio - Annualised	-0.02	1.81	1.45	-0.79	
Sortino Ratio - Annualised	-0.03	5.02	3.42	-0.89	
Average Growth / Max Drawdown Ratio	0.23	9.76	6.91	0.04	
Average Growth / Average Drawdown Ratio	1.14	20.54	16.84	0.21	

Correlation Analysis					
Lattanzio	1.00	-0.03	-0.38	-0.43	
S&P 500	-0.03	1.00	0.90	-0.17	
MSCI World Free	-0.38	0.90	1.00	0.09	
Salomon WGBI 3-7 yrs	-0.43	-0.17	0.09	1.00	

Source: Financial Risk Management Ltd.

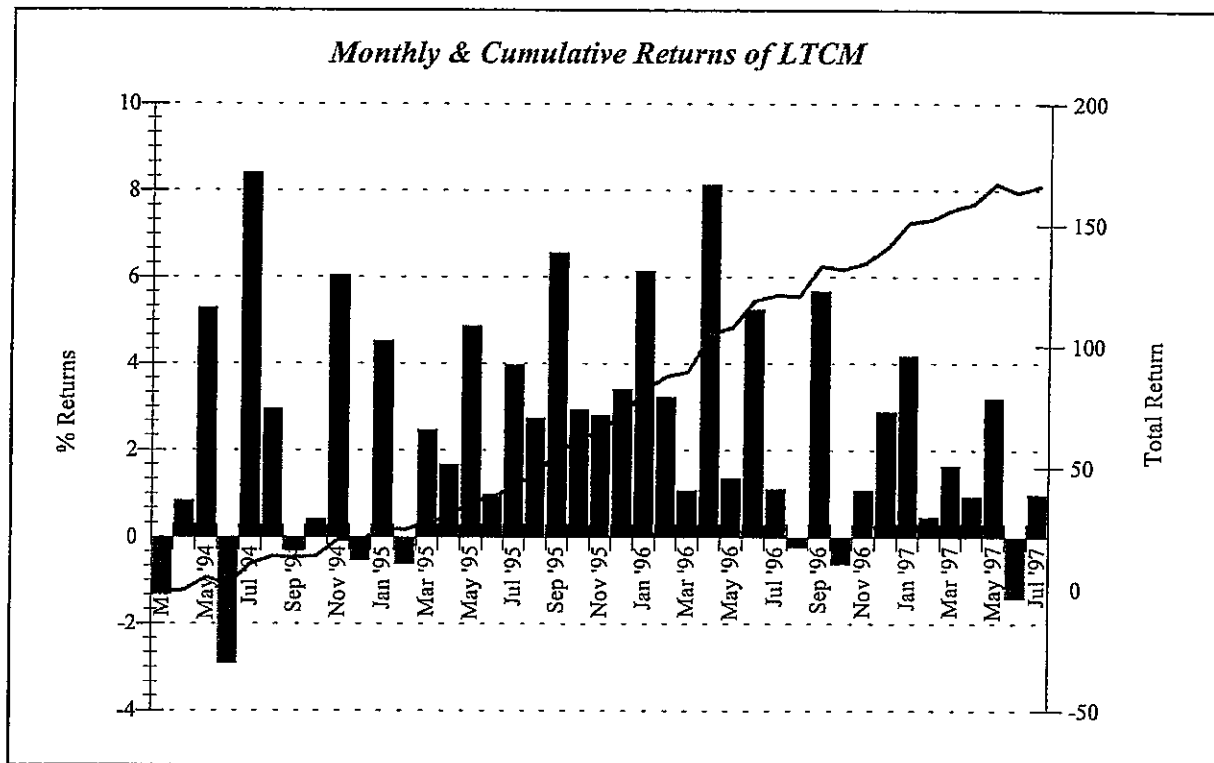
**Long-Term Capital, Ltd.****Style: Market Neutral / Macro**

<b>Management Philosophy</b>	<p>The strategies of the Fund are of long term nature (typically six months to two years or longer). The Fund intends to generate profits based on return spreads between the fund's assets and liabilities and are in place primarily in the US, Europe and Asia. Strategies employed are:</p> <p><i>Convergence trades:</i> involve long positions with offsetting short positions in financial instruments with varying degrees of substitutability (short futures long the underlying, short one instrument against a related one).</p> <p><i>Yield curve trades:</i> returns depend on forecasts of changes in the slope of the yield curve (long certain maturities of the curve and short others in anticipation of changes in the slope of the curve).</p> <p><i>Relative value trades:</i> involves taking long and short positions in securities closely related to each other (long US Treasury and short a swap).</p> <p><i>Directional trades:</i> Returns depend on the change in the valuation of a particular market (outright long or short positions).</p> <p>In all these strategies, Long-Term Capital is supported in its risk management by their sophisticated technology.</p>
<b>Manager</b>	<p>John W. Meriwether is a former Vice Chairman of Salomon Brothers in charge of the firm's worldwide Fixed Income Trading, Fixed Income Arbitrage and Foreign Exchange Trading businesses. Mr. Meriwether began his career with Salomon Brothers in 1974 and started the Domestic Fixed Income Arbitrage Group in 1977. Mr. Meriwether was admitted as a General Partner of Salomon Brothers in 1980 and appointed to serve on the firm's Board of Directors in 1986. Mr. Meriwether received a M.B.A. degree from the University of Chicago in 1973 and a B.S. degree from Northwestern University in 1969.</p>
<b>Management Corp.:</b>	Long-Term Capital Management, L.P.
<b>Jurisdiction:</b>	Cayman Islands
<b>Inception:</b>	February 1994
<b>Assets of the Fund (12/96):</b>	Not disclosed
<b>Assets in Strategy (12/96):</b>	Not disclosed
<b>Total Assets (12/96):</b>	Not disclosed
<b>Administrator:</b>	MeesPierson (Cayman) Ltd.
<b>Auditors:</b>	Price Waterhouse
<b>Subscriptions:</b>	Currently Closed
<b>Redemptions:</b>	Lock-up until December 31, 1998
<b>Minimum investment:</b>	USD 10'000'000
<b>NAV published:</b>	Monthly



# Long-Term Capital, Ltd.

# Style: Market Neutral / Macro



Date Range:	Mar '94 ~ Jul '97	LTCM	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	41				3-7 yrs
Analysis Currency:	USD		USD	USD	USD
Return Analysis					
Total Period Return	166.02%	121.15%	56.54%	20.92%	
Annualised Geometric Return	33.16%	26.15%	14.02%	5.72%	
Best 12 Month Rolling Return	59.23%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	20.26%	7.35%	-1.80%	-1.72%	
Consistency Analysis					
% Up Months	80.49%	80.49%	70.73%	60.98%	
% Up 12 Month Rolling Returns	100.00%	100.00%	96.67%	83.33%	
Annualised Standard Deviation	12.04%	13.43%	10.55%	6.56%	
Risk/Downside Analysis					
Annualised Downside Deviation (RF)	2.62%	5.87%	5.87%	4.30%	
Largest Drawdown	2.92%	4.42%	5.53%	6.59%	
Average of Largest 5 Drawdowns	1.38%	3.75%	3.65%	3.01%	
Risk/Return Analysis					
Gain / Loss Ratio	13.53	4.46	2.80	2.13	
Sharpe Ratio - Annualised	2.37	1.61	0.88	0.11	
Sortino Ratio - Annualised	10.87	3.69	1.59	0.17	
Average Growth / Max Drawdown Ratio	13.31	6.02	2.38	1.19	
Average Growth / Average Drawdown Ratio	28.12	7.10	3.61	2.60	
Correlation Analysis					
LTCM	1.00	0.18	0.08	-0.16	
S&P 500	0.18	1.00	0.83	0.05	
MSCI World Free	0.08	0.83	1.00	0.26	
Salomon WGBI 3-7 yrs	-0.16	0.05	0.26	1.00	
Source: Financial Risk Management Ltd.					

Source: Financial Risk Management Ltd.



**Maverick Fund, Ltd.****Style: Long / Short Equities****Management Philosophy**

The Fund's goal is to preserve and grow capital. In order to achieve this goal, the Fund is managed as a traditional, truly hedged fund, maintaining low net exposures to each region and industry in which it invests. By doing so, the Fund has greatly reduced market, regional and sector risks, and as a result Maverick's success is driven by the ability to select securities, not to time markets. The Fund does not invest in currencies, commodities or derivatives (excluding the occasional use of listed puts and calls), and only uses conservative levels of leverage. Maverick focuses primarily on long and short equity investments in the United States. Investment decisions are driven by intensive fundamental, "bottoms-up" research including extensive company visits and frequent contact with competitors, customers and suppliers of potential and current investments.

**Manager**

Lee S. Ainslie, Managing Director and Fund Manager, joined Maverick in August 1993. He assumed sole management of Maverick as of March 1995. From 1990 to 1993, Mr. Ainslie was a Managing Director of Tiger Management Corporation in New York, a manager of private investment funds. During his tenure at Tiger Management, its funds under management grew to USD 6 billion, with an outstanding record of performance. Prior to joining Tiger, he was employed by KPMG Peat Marwick & Co. as a consultant for that firm's National Director of Information Technology. Mr. Ainslie is a graduate of the United States Marine Corps' Officers School. He is a graduate of the University of Virginia (Westmoreland Davis Scholar and Thomas Pinckney Bryan Scholar) and received an MBA from the University of North Carolina (Beta Gamma Sigma).

**Management Corp.:**

Maverick Capital Ltd., Dallas

**Jurisdiction:**

Cayman Islands

**Inception:**

December 1992

**Assets of the Fund (12/96):**

USD 433 million

**Assets in Strategy (12/96):**

USD 719 million

**Total Assets (12/96):**

USD 719 million

**Administrator:**

The Irish Trust Company (Cayman) Ltd.

**Auditors:**

Ernst & Young, Cayman

**Subscriptions:**

Monthly

**Redemptions:**

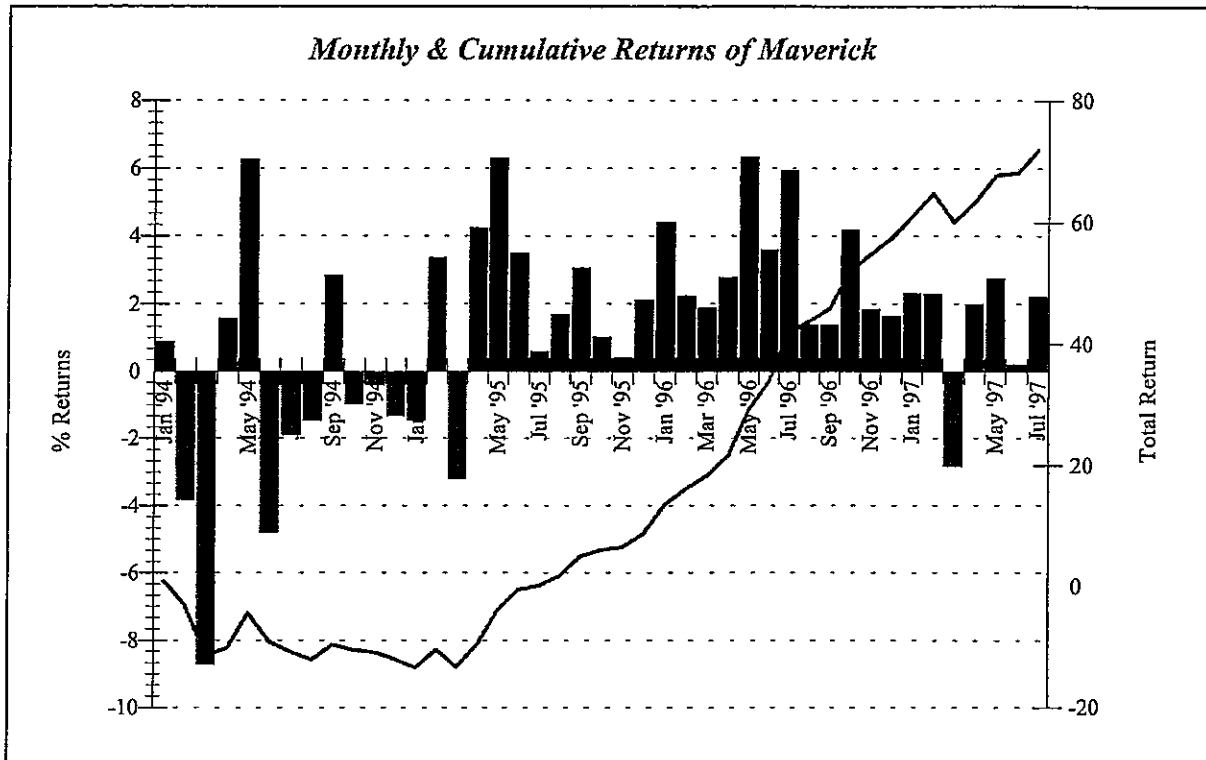
Monthly (up to 1% charge for shares held less than 12 months)

**Minimum investment:**

USD 1'000'000

**NAV published:**

Monthly


**Maverick Fund, Ltd.**
**Style: Long / Short Equities**


Date Range:	Jan '94 ~ Jul '97	Maverick	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD
Return Analysis					
Total Period Return	71.90%	122.47%	64.08%	21.74%	
Annualised Geometric Return	16.32%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	45.40%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	-14.07%	0.53%	-4.50%	-1.72%	
Consistency Analysis					
% Up Months	74.42%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	87.50%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	12.36%	13.39%	10.96%	6.41%	
Risk/Downside Analysis					
Annualised Downside Deviation (RF)	7.25%	5.96%	5.81%	4.19%	
Largest Drawdown	14.07%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	3.38%	4.27%	3.93%	3.01%	
Risk/Return Analysis					
Gain / Loss Ratio	2.82	4.13	2.88	2.16	
Sharpe Ratio - Annualised	0.96	1.54	0.94	0.12	
Sortino Ratio - Annualised	1.64	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	1.70	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	7.08	5.86	3.13	2.53	
Correlation Analysis					
Maverick	1.00	0.33	0.15	-0.09	
S&P 500	0.33	1.00	0.82	0.06	
MSCI World Free	0.15	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	-0.09	0.06	0.26	1.00	
Source: Financial Risk Management Ltd.					

Source: Financial Risk Management Ltd.

**Paloma International Fund****Style: Market Neutral****Management Philosophy**

Paloma Partners was founded by Donald Sussman in 1981 and has therefore one of the longest track records in the industry. Since inception, the fund has had only one negative quarter. The assets grew to USD 1.5 Bio. and today Paloma is one of the largest market neutral hedge funds. Paloma's structure is quite unique. It uses a diversified multi-strategy multi-trader approach with centralized controls. Entrepreneurial investment groups with exclusive relationship and proprietary trading models concentrate on trading in their area of expertise around the world. The head office in Greenwich is responsible for the centralized risk management, position monitoring, cash controls, trade management, technology, research and development, legal and tax issues, credit, position financing.

**Manager**

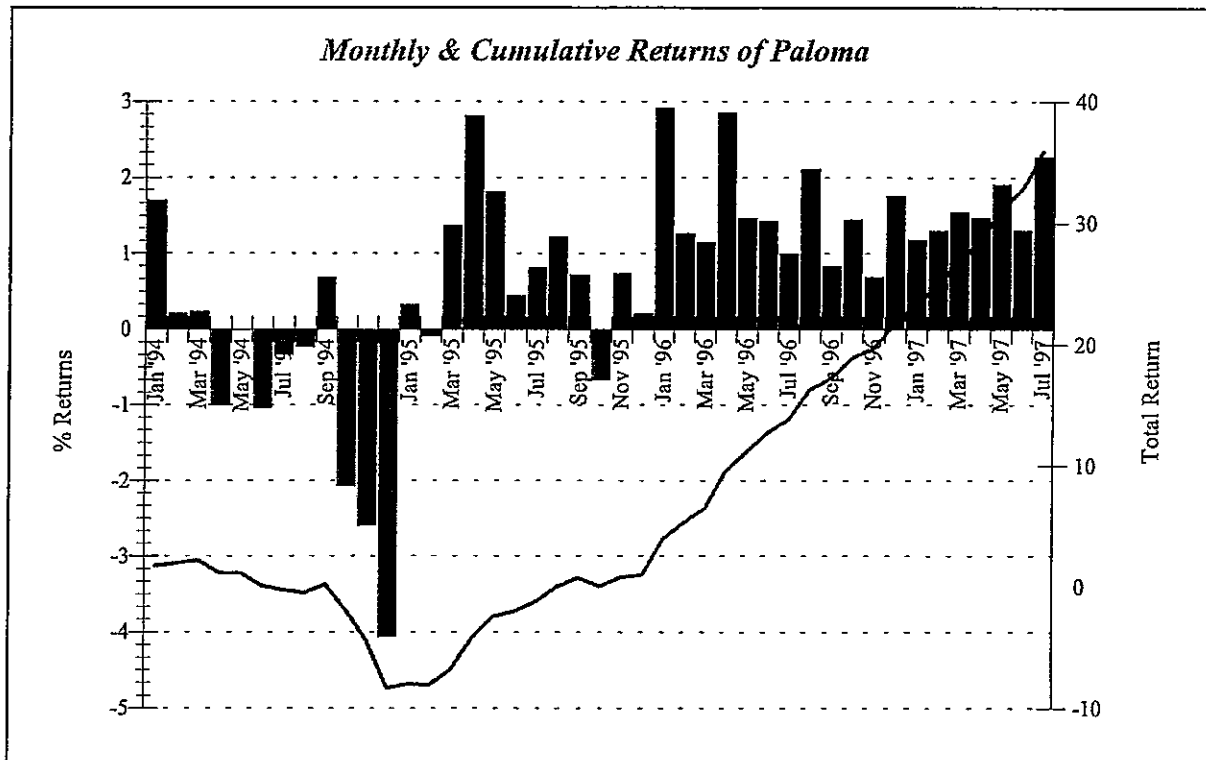
Mr. Sussman became the general partner in Paloma Partners L.P. after spending several years as Vice President and Chief Financial Officer of The Titan Industrial Corp., a multinational trading corporation, and as a non-lawyer partner specializing in investments at a New York City law firm. Mr. Sussman, along with other senior managers, prudently directs the Funds' diversified global portfolios for a broad client base comprised of worldwide financial institutions, high net-worth individuals and family offices, tax-exempt organizations, corporations and other institutions. The Fund presently has aggregate investor capital in excess of U.S. USD 1.5 billion, which includes significant personal capital allocations by Mr. Sussman and other Paloma executives. Mr. Sussman attended Columbia College and received a Masters in Business Administration degree from New York University in 1975.

<b>Management Corp.:</b>	Paloma Advisers Limited
<b>Jurisdiction:</b>	Bermuda
<b>Inception:</b>	April 1992
<b>Assets of the Fund (12/96):</b>	USD 249 million
<b>Assets in Strategy (12/96):</b>	USD 1'700 million
<b>Total Assets (12/96):</b>	USD 1'700 million
<b>Administrator:</b>	The Bank of Bermuda Ltd.
<b>Auditors:</b>	Ernst & Young, Bermuda
<b>Subscriptions:</b>	Currently closed
<b>Redemptions:</b>	Annually
<b>Minimum investment:</b>	USD 5'000'000
<b>NAV published:</b>	Monthly



# Paloma International Fund

Style: Market Neutral



<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Paloma</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD
<b>Return Analysis</b>					
<i>Total Period Return</i>	35.91%	122.47%	64.08%	21.74%	
<i>Annualised Geometric Return</i>	8.94%	25.00%	14.82%	5.64%	
<i>Best 12 Month Rolling Return</i>	20.65%	51.72%	30.65%	20.60%	
<i>Worst 12 Month Rolling Return</i>	-9.83%	0.53%	-4.50%	-1.72%	
<b>Consistency Analysis</b>					
<i>% Up Months</i>	76.74%	79.07%	69.77%	60.47%	
<i>% Up 12 Month Rolling Returns</i>	75.00%	100.00%	93.75%	84.38%	
<i>Annualised Standard Deviation</i>	5.24%	13.39%	10.96%	6.41%	
<b>Risk/Downside Analysis</b>					
<i>Annualised Downside Deviation (RF)</i>	3.64%	5.96%	5.81%	4.19%	
<i>Largest Drawdown</i>	10.26%	6.95%	5.89%	6.59%	
<i>Average of Largest 5 Drawdowns</i>	2.05%	4.27%	3.93%	3.01%	
<b>Risk/Return Analysis</b>					
<i>Gain / Loss Ratio</i>	3.58	4.13	2.88	2.16	
<i>Sharpe Ratio - Annualised</i>	0.76	1.54	0.94	0.12	
<i>Sortino Ratio - Annualised</i>	1.10	3.46	1.77	0.18	
<i>Average Growth / Max Drawdown Ratio</i>	0.89	3.60	2.09	1.16	
<i>Average Growth / Average Drawdown Ratio</i>	4.43	5.86	3.13	2.53	
<b>Correlation Analysis</b>					
<i>Paloma</i>	1.00	0.27	0.26	-0.03	
<i>S&amp;P 500</i>	0.27	1.00	0.82	0.06	
<i>MSCI World Free</i>	0.26	0.82	1.00	0.26	
<i>Salomon WGBI 3-7 yrs</i>	-0.03	0.06	0.26	1.00	

Source: Financial Risk Management Ltd.

**Pendragon Capital, Ltd.****Style: Event Driven****Management Philosophy**

The Fund principally invests in a diversified portfolio of bank debt. The loans typically will hold a senior position in the capital structure of the borrower and are typically senior and secured by collateral. It is expected that loans generally will have stated maturities ranging from one to ten years. The primary consideration in selecting such loans for investment is the creditworthiness of the borrower. The investment adviser will perform its own independent credit analysis of the borrower in addition to utilizing information prepared by the financial institution from which the Fund purchases its interest in a loan. It invests either directly in a portfolio of specified loans or enters into a swap, forward contract or other transactions, whose returns are based on the performance of a portfolio of specified loans. The loans are made principally to U.S. corporations, partnerships and other entities, although the Fund will have the option to invest, subject to certain limitations, in loans to non-U.S. entities. The Fund expects to operate at or near the max. allowable leverage of 10 times capital.

**Manager**

Dan S. Baldwin, Jr. is a Managing Director and head of the Senior Bank Loan and High Yield Products Group at Chancellor LGT and a member of the BoD of Chancellor LGT Senior Secured Management, Inc. He is a member of the Fixed Income Credit Committee, the Insurance Investment Strategy Committee and the Fixed Income Strategy Committee. He is a CFA and a member of the NY Society of Security Analysts and the Association for Investment Management and Research. Stephen M. Alfieri is a Managing Director, portfolio manager and research analyst responsible for the performance of a number of senior bank loan portfolios. Prior to joining Chancellor LGT, he was a vice president in Chemical Bank's structured finance group where he specialized in the structuring and underwriting of highly leveraged transactions.

**Management Corp.:**

Chancellor LGT Senior Secured Management, Inc., New York  
Cayman Islands

**Jurisdiction:****Inception:**

March 1997

**Assets of the Fund (06/97):**

USD 30 million

**Total Assets (12/96):**

USD 3'400 million

**Administrator:**

MeesPierson (Cayman) Limited

**Auditors:**

Price Waterhouse, Cayman Islands

**Subscriptions:**

Currently Closed

**Redemptions:**

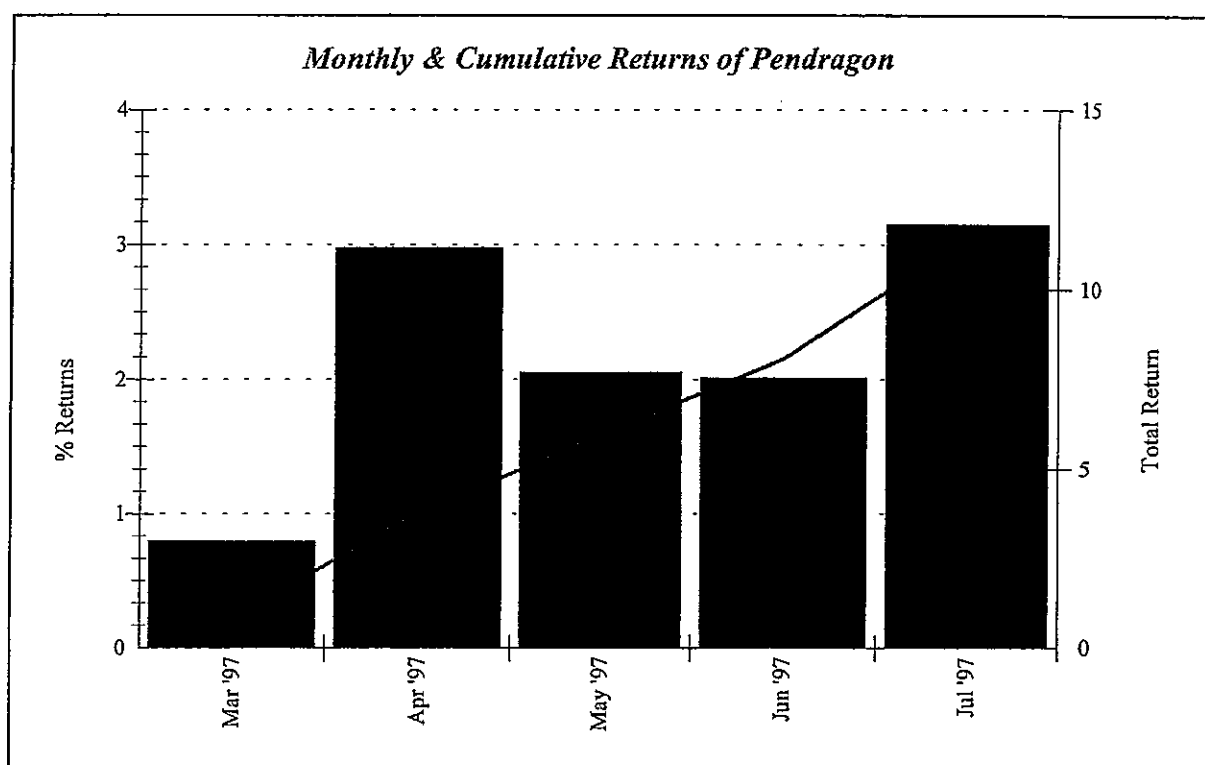
Quarterly (after 1-year lock up)

**Minimum investment:**

USD 1'000'000

**NAV published:**

Monthly


**Pendragon Capital, Ltd.**
**Style: Event Driven**


Date Range:	Mar '97 ~ Jul '97	Pendragon	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	5				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD

Return Analysis					
Total Period Return	11.48%	21.27%	17.20%	0.07%	
Annualised Geometric Return	29.80%	58.87%	46.37%	0.18%	
Best 12 Month Rolling Return					
Worst 12 Month Rolling Return					

Consistency Analysis					
% Up Months	100.00%	80.00%	80.00%	40.00%	
% Up 12 Month Rolling Returns					
Annualised Standard Deviation	4.14%	25.28%	15.84%	6.71%	

Risk/Downside Analysis					
Annualised Downside Deviation (RF)	0.00%	8.25%	4.71%	5.49%	
Largest Drawdown	0.00%	4.10%	2.15%	1.95%	
Average of Largest 5 Drawdowns	0.00%	0.82%	0.43%	0.75%	

Risk/Return Analysis					
Gain / Loss Ratio	1000.00	5.90	8.58	1.04	
Sharpe Ratio - Annualised	5.96	2.19	2.64	-0.73	
Sortino Ratio - Annualised	1000.00	6.70	8.89	-0.89	
Average Growth / Max Drawdown Ratio	1000.00	19.51	37.13	20.51	
Average Growth / Average Drawdown Ratio	1000.00	97.53	185.66	53.37	

Correlation Analysis					
Pendragon	1.00	0.91	0.66	-0.34	
S&P 500	0.91	1.00	0.91	0.06	
MSCI World Free	0.66	0.91	1.00	0.45	
Salomon WGBI 3-7 yrs	-0.34	0.06	0.45	1.00	

Source: Financial Risk Management Ltd.

**Pentangle International, Ltd.****Style: Market Neutral****Management Philosophy**

The strategy of the fund seeks capital gains using a proprietary trading strategy to engage in active trading in U.S. common stocks listed on either the New York Stock Exchange or American Stock Exchange. Pursuant to the strategy, the fund does not have significant exposure to either moves in the overall equity market or individual stock risk because it holds from 100 to 300 names in each of two well-diversified portfolios - one long and one short, in equal dollar amounts. Control over such exposures is further enhanced by using an equity risk model in conjunction with a mathematical optimizer to create trade lists that optimize the trade-off between exposures to factors of equity risk, total expected return and transactions costs. The heart of the strategy is a proprietary prediction rule for short-term stock returns which is based on the empirical observation that buyers and sellers of stock are willing to pay for liquidity. The return on assets is composed of two parts: the money market return and the difference in returns between the long and the short portfolios.

**Manager**

Dr. Jeremy Evnine, age 46, was senior vice president in charge of research and development at Wells Fargo Nikko Investment Advisors for six years. From 1980 to 1984 Dr. Evnine was a consultant at BARRA, where he was chiefly responsible for the development of their option products.

Richard Vaughan, age 44, has 21 years experience in the development of financial information and decision support systems. Mr. Vaughan was senior vice president in charge of systems at Wells Fargo Nikko Investment Advisors for four years. Prior to Wells Fargo, Mr. Vaughan was a managing partner at Norton & Co., a proprietary trading firm, and a senior consultant with Ibbotson Associates, a financial consulting firm.

**Management Corp.:**

Evnine-Vaughan Associates, Inc., San Francisco

**Jurisdiction:**

Cayman Islands

**Inception:**

August 1996

**Assets in Strategy (12/96):**

USD 50 million

**Total Assets (12/96):**

USD 50 million

**Administrator:**

MeesPierson (Cayman) Limited

**Auditors:**

Ernst & Young, Cayman Islands

**Subscriptions:**

Currently Closed

**Redemptions:**

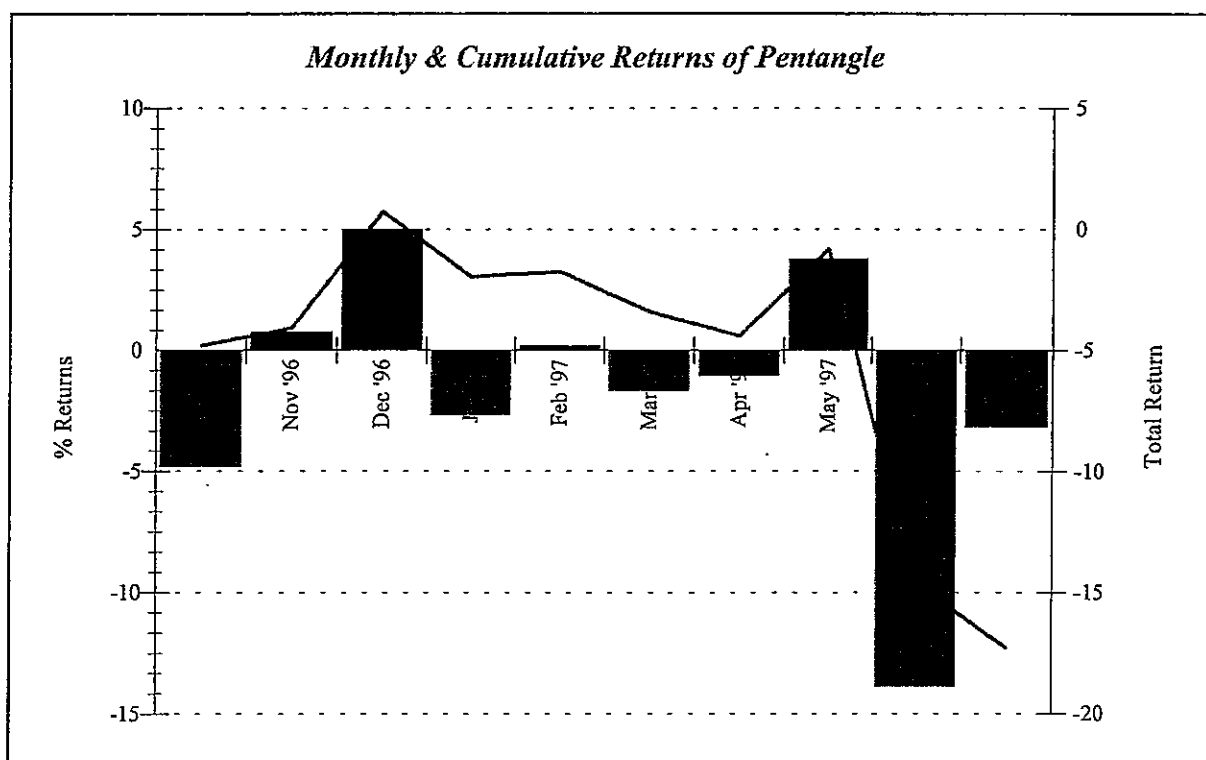
Semi Annual

**Minimum investment:**

USD 1'000'000

**NAV published:**

Monthly


**Pentangle International, Ltd.**
**Style: Market Neutral**


Date Range:	Oct '96 ~ Jul '97	Pentangle	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	10				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD
Return Analysis					
Total Period Return	-17.27%	40.67%	24.66%	-2.23%	
Annualised Geometric Return	-20.34%	50.61%	30.28%	-2.66%	
Best 12 Month Rolling Return					
Worst 12 Month Rolling Return					
Consistency Analysis					
% Up Months	40.00%	80.00%	80.00%	40.00%	
% Up 12 Month Rolling Returns					
Annualised Standard Deviation	15.06%	20.96%	13.11%	6.03%	
Risk/Downside Analysis					
Annualised Downside Deviation (RF)	19.68%	6.21%	4.07%	5.97%	
Largest Drawdown	17.88%	4.10%	2.15%	6.59%	
Average of Largest 5 Drawdowns	4.54%	1.22%	0.78%	1.32%	
Risk/Return Analysis					
Gain / Loss Ratio	0.36	6.83	6.83	0.75	
Sharpe Ratio - Annualised	-1.61	2.23	1.96	-1.27	
Sortino Ratio - Annualised	-1.23	7.53	6.32	-1.28	
Average Growth / Max Drawdown Ratio	2.24	19.51	37.13	6.07	
Average Growth / Average Drawdown Ratio	8.81	65.77	102.94	30.37	
Correlation Analysis					
Pentangle	1.00	-0.17	-0.20	-0.01	
S&P 500	-0.17	1.00	0.86	0.05	
MSCI World Free	-0.20	0.86	1.00	0.41	
Salomon WGBI 3-7 yrs	-0.01	0.05	0.41	1.00	
Source: Financial Risk Management Ltd					

Source: Financial Risk Management Ltd.



**Raptor Global Fund Ltd.****Style: Long / Short Equities****Management Philosophy**

The Fund's investment objective is to provide superior total returns over time through combined long/short trading in a substantial number of securities utilizing a bottom-up, fundamental approach. The Fund primarily attempts to achieve this objective by investing in a core, concentrated portfolio of mainly U.S. equities, consisting of long positions augmented by numerous additional long and short positions and, to a lesser extent, positions in debt, futures and currencies.

**Manager**

James J. Pallotta was employed with Essex Investment Company from 1983 to 1993 as follows: Board of Directors (1990-1993), Senior Vice President and Director of Research, actively trading the management of client funds of up to USD 550 million (1989-1993), Vice President (1983-1989). Mr. Pallotta joined the Tudor Investment Corporation in August 1993 and holds currently the position Vice President, Director of Equity Securities Investment Management. Mr. Pallotta received his BBA in finance from the University of Massachusetts in 1979 and holds and MBA from Northeastern University in 1981.

**Management Corp.:**

Equity Securities Investment Management Group

**Jurisdiction:**

Cayman Islands

**Inception:**

October 1993

**Assets of the Fund (12/96):**

USD 242 million

**Assets in Strategy (12/96):**

USD 621 million

**Total Assets (12/96):**

USD 1'485 million (Tudor Inv. and Affiliates)

**Administrator:**

CITCO

**Auditors:**

Moret Ernst & Young, Curacao

**Subscriptions:**

Quarterly

**Redemptions:**

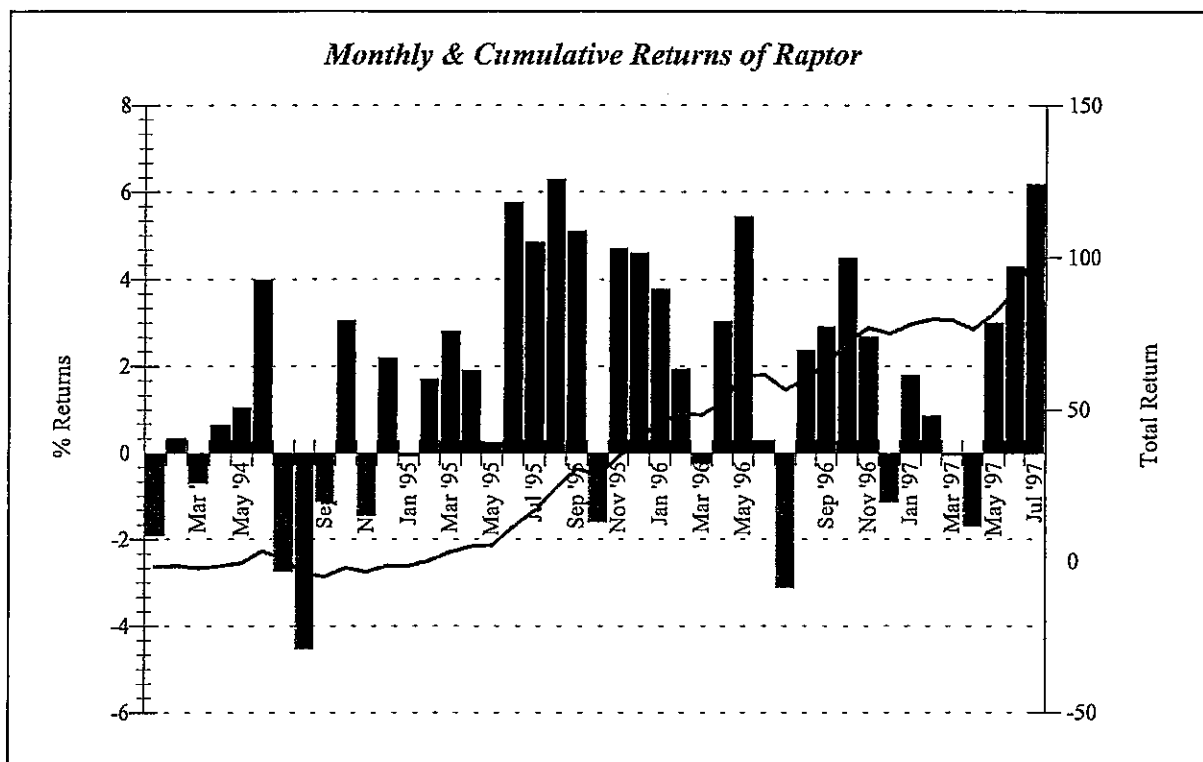
Quarterly

**Minimum investment:**

USD 1'000'000

**NAV published:**

Monthly


**Raptor Global Fund Ltd.**
**Style: Long / Short Equities**


<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Raptor</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD

Return Analysis				
<i>Total Period Return</i>	101.44%	122.47%	64.08%	21.74%
<i>Annualised Geometric Return</i>	21.58%	25.00%	14.82%	5.64%
<i>Best 12 Month Rolling Return</i>	53.21%	51.72%	30.65%	20.60%
<i>Worst 12 Month Rolling Return</i>	-1.51%	0.53%	-4.50%	-1.72%

Consistency Analysis				
<i>% Up Months</i>	69.77%	79.07%	69.77%	60.47%
<i>% Up 12 Month Rolling Returns</i>	96.88%	100.00%	93.75%	84.38%
<i>Annualised Standard Deviation</i>	11.38%	13.39%	10.96%	6.41%

Risk/Downside Analysis				
<i>Annualised Downside Deviation (RF)</i>	4.69%	5.96%	5.81%	4.19%
<i>Largest Drawdown</i>	8.22%	6.95%	5.89%	6.59%
<i>Average of Largest 5 Drawdowns</i>	3.39%	4.27%	3.93%	3.01%

Risk/Return Analysis				
<i>Gain / Loss Ratio</i>	4.52	4.13	2.88	2.16
<i>Sharpe Ratio - Annualised</i>	1.50	1.54	0.94	0.12
<i>Sortino Ratio - Annualised</i>	3.63	3.46	1.77	0.18
<i>Average Growth / Max Drawdown Ratio</i>	3.14	3.60	2.09	1.16
<i>Average Growth / Average Drawdown Ratio</i>	7.61	5.86	3.13	2.53

Correlation Analysis				
<i>Raptor</i>	1.00	0.38	0.32	0.00
<i>S&amp;P 500</i>	0.38	1.00	0.82	0.06
<i>MSCI World Free</i>	0.32	0.82	1.00	0.26
<i>Salomon WGBI 3-7 yrs</i>	0.00	0.06	0.26	1.00

Source: Financial Risk Management Ltd.

**The Värde Fund (Cayman) Ltd.****Style: Event Driven****Management Philosophy**

The Fund searches for undervalued or inefficient markets or market niches. Within such undervalued or inefficient markets, the Fund will seek to invest in debt obligations, securities and other assets at a discount to their "intrinsic value". The current investment focus of the Fund is on indebtedness of bankrupt or financially-troubled companies, non-investment grade debt obligations and non-performing and sub-performing mortgages and consumer loans. In addition, before investing, the Investment Manager will ordinarily determine whether there exists a catalyst for value recognition in approximately two years or less. Finally, the Fund will seek to preserve investors' capital by employing risk management techniques and diversified investment programs.

**Manager**

George G. Hicks is one of the founders and a Director of the Fund and Vice President and Principal of the Investment Manager. Prior to forming The Värde Fund L.P., Mr. Hicks managed world-wide merchant banking at Cargill Financial, the financial services subsidiary of Cargill. Between 1988 and 1993, Mr. Hicks held the positions of Assistant Vice President, Vice President and Senior Vice President of Cargill Financial. He transferred from Cargill's Law Department to Cargill Leasing Corporation in 1987 and joined Cargill Financial in 1988. Mr. Hicks joined Cargill in 1978 in the Law Department and was named a senior attorney in 1984. He was graduated from Gustavus Adolphus College, St. Peter, Minnesota with a B.A. in Economics and History in 1975. He was awarded a J.D. from the University of Minnesota Law School in 1978. Mr. Hicks is 42 years old.

**Management Corp.:**

Värde Management, Inc.

**Jurisdiction:**

Cayman Islands

**Inception:**

August 1996

**Assets of the Fund (12/96):**

USD 24 million

**Assets in Strategy (12/96):**

USD 91 million

**Total Assets (12/96):**

USD 91 million

**Administrator:**

Goldman Sachs (Cayman) Trust, Ltd.

**Auditors:**

KPMG Peat Marwick, Cayman Islands

**Subscriptions:**

Monthly

**Redemptions:**

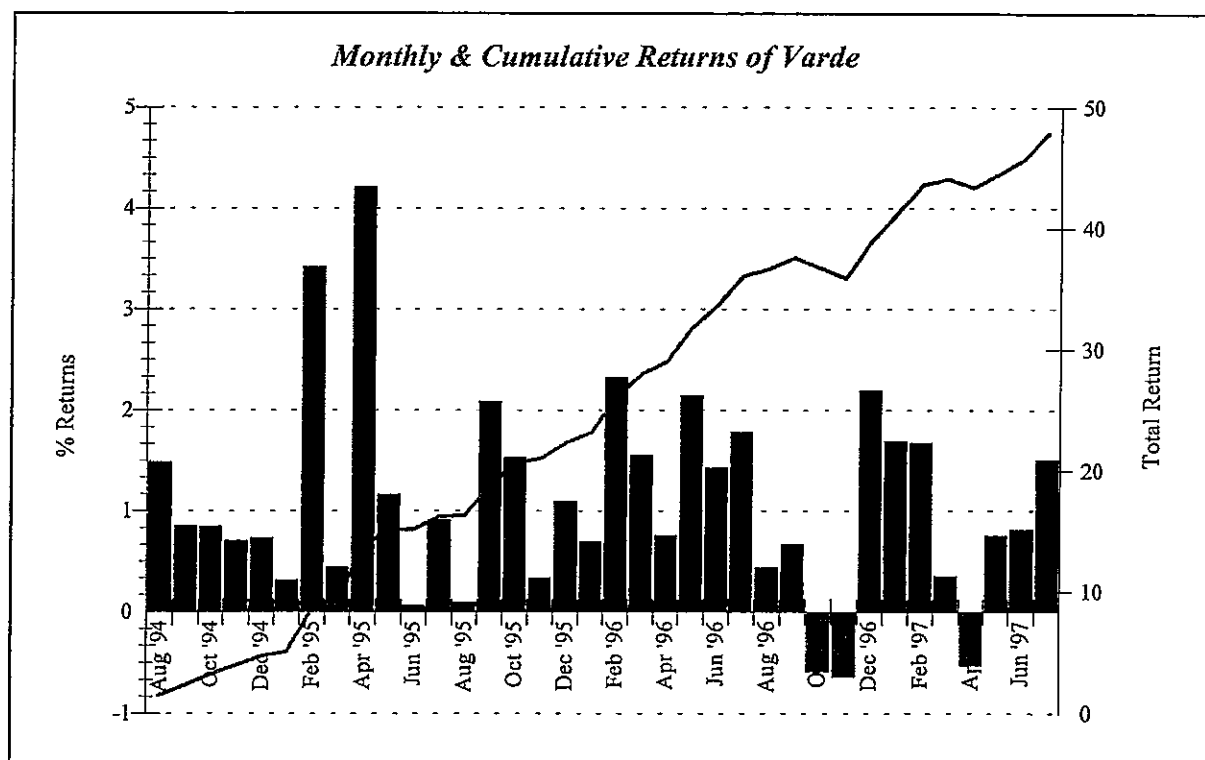
Quarterly

**Minimum investment:**

USD 500'000

**NAV published:**

Monthly


**The Varde Fund (Cayman) Ltd.**
**Style: Event Driven**


<b>Date Range:</b>	Aug '94 ~ Jul '97	<b>Varde*</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	36				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD

Return Analysis					
<i>Total Period Return</i>	47.86%	122.94%	56.93%	18.11%	
<i>Annualised Geometric Return</i>	13.92%	30.64%	16.21%	5.71%	
<i>Best 12 Month Rolling Return</i>	17.47%	51.72%	30.65%	18.96%	
<i>Worst 12 Month Rolling Return</i>	8.67%	16.55%	6.40%	-1.72%	

Consistency Analysis					
<i>% Up Months</i>	91.67%	83.33%	72.22%	58.33%	
<i>% Up 12 Month Rolling Returns</i>	100.00%	100.00%	100.00%	80.00%	
<i>Annualised Standard Deviation</i>	3.98%	13.50%	10.65%	6.93%	

Risk/Downside Analysis					
<i>Annualised Downside Deviation (RF)</i>	1.13%	5.33%	5.53%	4.56%	
<i>Largest Drawdown</i>	1.23%	4.42%	5.53%	6.59%	
<i>Average of Largest 5 Drawdowns</i>	0.35%	2.95%	3.10%	2.96%	

Risk/Return Analysis					
<i>Gain / Loss Ratio</i>	23.33	5.88	3.22	2.03	
<i>Sharpe Ratio - Annualised</i>	2.18	1.93	1.07	0.09	
<i>Sortino Ratio - Annualised</i>	7.66	4.88	2.05	0.13	
<i>Average Growth / Max Drawdown Ratio</i>	11.70	6.45	2.64	0.94	
<i>Average Growth / Average Drawdown Ratio</i>	40.86	9.66	4.70	2.08	

Correlation Analysis					
<i>Varde</i>	1.00	-0.11	-0.06	0.09	
<i>S&amp;P 500</i>	-0.11	1.00	0.83	0.08	
<i>MSCI World Free</i>	-0.06	0.83	1.00	0.29	
<i>Salomon WGBI 3-7 yrs</i>	0.09	0.08	0.29	1.00	

**Source: Financial Risk Management Ltd.**

\*Contains data from Varde Fund, L.P. (Aug'94 - Aug'96).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

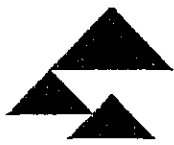
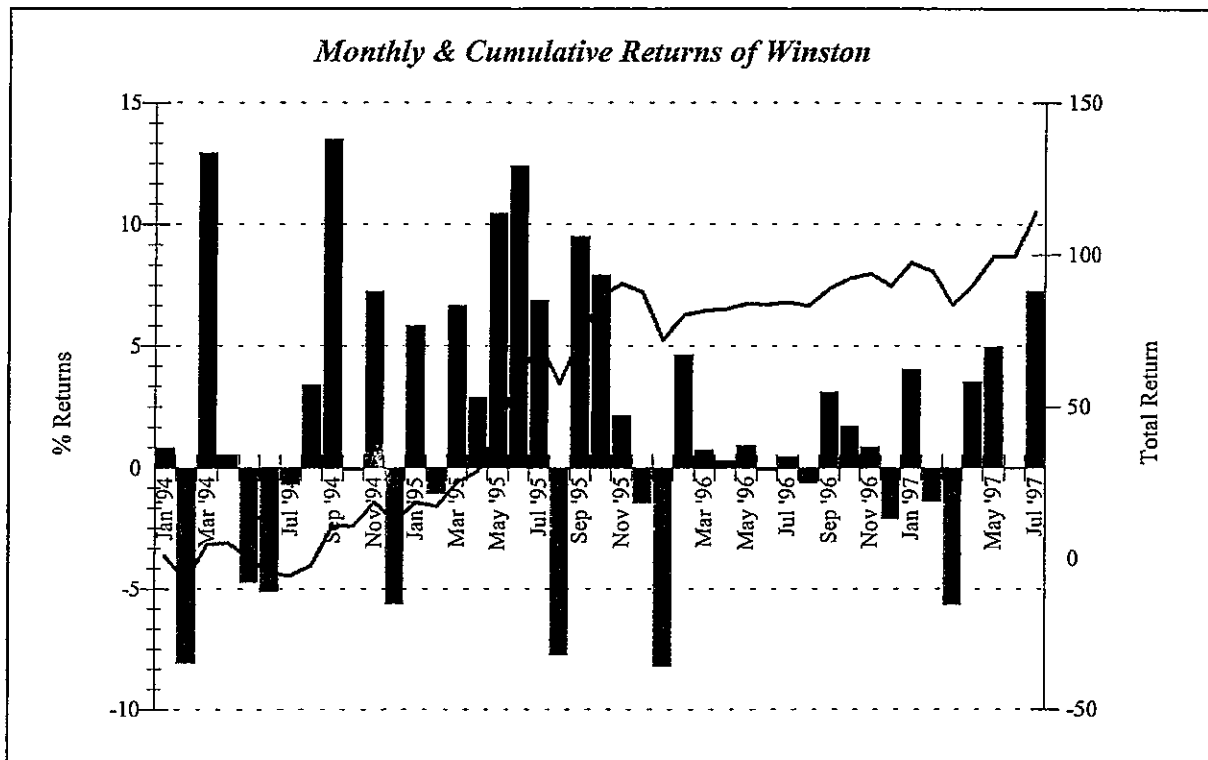
**Winston Partners II Offshore, Ltd.****Style: Event Driven****Management Philosophy**

The Funds target is to achieve extraordinary returns for its investors. The Investment Manager meets this goal by applying their investment and management expertise to locate and analyze unrecognized opportunities in all parts of the world. The Fund takes non-controlling equity positions, ranging between USD 10 million and USD 60 million, in undervalued public and private businesses. The investment professionals are experienced management consultants and investment bankers. The Manager leverages its unparalleled access to financial resources and its technological and strategic planning expertise to add shareholder value to underperforming companies. Occasionally, the Fund also trades debt, options and currencies. Although the amount of money committed to such trading is relatively small, this trading activity is used as a means to hedge portfolio investments and, occasionally, for speculative purposes.

**Manager**

Dr. Purnendu Chatterjee is the founder and Managing Director of The Chatterjee Group. His background includes both technology research and classical management consulting. From 1974 to 1976, Dr. Chatterjee was a Research Associate at the Stanford Research Institute, Menlo Park, California. In 1976, Dr. Chatterjee joined McKinsey & Company, New York, becoming a Principal of that firm in 1983. Dr. Chatterjee joined George Soros in 1986 to invest in public market and private companies. Dr. Chatterjee now manages a substantial part of the technology-based industrial investments presently held by the USD 12 billion Quantum Group of Funds. Dr. Chatterjee received a B.Tech. from the Indian Institute of Technology in 1971 and earned Masters and Doctorate degree in Operations Research from the University of California, Berkeley, in 1974.

<b>Management Corp.:</b>	Chatterjee Management Company
<b>Jurisdiction:</b>	British Virgin Islands
<b>Inception:</b>	April 1996
<b>Assets of the Fund (12/96):</b>	USD 142 million
<b>Assets in Strategy (12/96):</b>	USD 2'000 million
<b>Total Assets (12/96):</b>	USD 2'000 million
<b>Administrator:</b>	Curacao International Trust Company
<b>Auditors:</b>	Price Waterhouse Curacao
<b>Subscriptions:</b>	Currently closed
<b>Redemptions:</b>	Quarterly
<b>Minimum investment:</b>	USD 1'000'000
<b>NAV published:</b>	Monthly


**Winston Partners II Offshore, Ltd.**
**Style: Event Driven**


Date Range:	Jan '94 ~ Jul '97	Winston*	S&P 500	MSCI World Free	Salomon WGBI
No. of Months:	43				3-7 yrs
Analysis Currency:	USD	USD	USD	USD	USD

Return Analysis					
Total Period Return	113.95%	122.47%	64.08%	21.74%	
Annualised Geometric Return	23.65%	25.00%	14.82%	5.64%	
Best 12 Month Rolling Return	80.98%	51.72%	30.65%	20.60%	
Worst 12 Month Rolling Return	1.07%	0.53%	-4.50%	-1.72%	

Consistency Analysis					
% Up Months	62.79%	79.07%	69.77%	60.47%	
% Up 12 Month Rolling Returns	100.00%	100.00%	93.75%	84.38%	
Annualised Standard Deviation	23.70%	13.39%	10.96%	6.41%	

Risk/Downside Analysis					
Annualised Downside Deviation (RF)	10.65%	5.96%	5.81%	4.19%	
Largest Drawdown	10.24%	6.95%	5.89%	6.59%	
Average of Largest 5 Drawdowns	8.53%	4.27%	3.93%	3.01%	

Risk/Return Analysis					
Gain / Loss Ratio	2.57	4.13	2.88	2.16	
Sharpe Ratio - Annualised	0.87	1.54	0.94	0.12	
Sortino Ratio - Annualised	1.94	3.46	1.77	0.18	
Average Growth / Max Drawdown Ratio	2.85	3.60	2.09	1.16	
Average Growth / Average Drawdown Ratio	3.42	5.86	3.13	2.53	

Correlation Analysis					
Winston	1.00	0.13	-0.01	0.30	
S&P 500	0.13	1.00	0.82	0.06	
MSCI World Free	-0.01	0.82	1.00	0.26	
Salomon WGBI 3-7 yrs	0.30	0.06	0.26	1.00	

Source: Financial Risk Management Ltd.

\*Contains data from Winston Partners L.P. (LINK) (Jan'92 - Apr'96).

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.

**Zweig-DiMenna International Ltd.****Style: Long / Short Equities****Management Philosophy**

Zweig-DiMenna International Limited seeks capital appreciation primarily through the purchases and short sales of equities. The goals are to reduce risk and protect capital during stock market declines and to participate in stock market advances. The portfolio may be net long, net short or hedged as conditions warrant. The portfolio typically contains a large number of stocks, both long and short. The Fund invests primarily in U.S. stocks. Stock selection is based on a "bottom-up" approach and opportunities are sought in both small and large capitalization stocks. The Fund has the flexibility to move to a net short position and the Investment Manager's experience in shorting stocks enables the Fund to hedge, as it did in October of 1987, or even take advantage of a market downturn, as it did in the third quarter of 1990. The portfolio is actively traded and widely diversified. The Fund trades around core positions and may utilize stock index futures from time to time to rapidly adjust the investment exposure.

**Manager**

Martin E. Zweig is President and Treasurer of Zweig-DiMenna International Managers, Inc. and President of Zweig Securities Advisory Service, Inc., which publishes various investment advisory newsletters, including The Zweig Forecast. Dr. Zweig received a B.S. in Economics from the Wharton School of Finance, an M.B.A. from the University of Miami and a Ph.D. in Finance from Michigan State University. He is the author of "Martin Zweig's Winning on Wall Street" and numerous articles which have appeared in Barron's, Journal of Finance and other publications. Joseph A. DiMenna is Executive Vice President and Secretary of Zweig-DiMenna International Managers, Inc., the investment manager of Zweig-DiMenna Intl. Limited. Mr. DiMenna received a B.S. in Finance from Fairfield University. He has been working with M. Zweig since 1977 and has been co-manager of Zweig-DiMenna since its inception in 1984.

**Management Corp.:**

Zweig-DiMenna International Managers, Inc.

**Jurisdiction:**

Bahamas

**Inception:**

May 1987

**Assets of the Fund (12/96):**

USD 1'227 million

**Assets in Strategy (12/96):**

USD 1'477 million

**Total Assets (12/96):**

USD 2'400 million

**Administrator:**

Dominion Management Services Limited

**Auditors:**

Grant Thornton International

**Subscriptions:**

Quarterly

**Redemptions:**

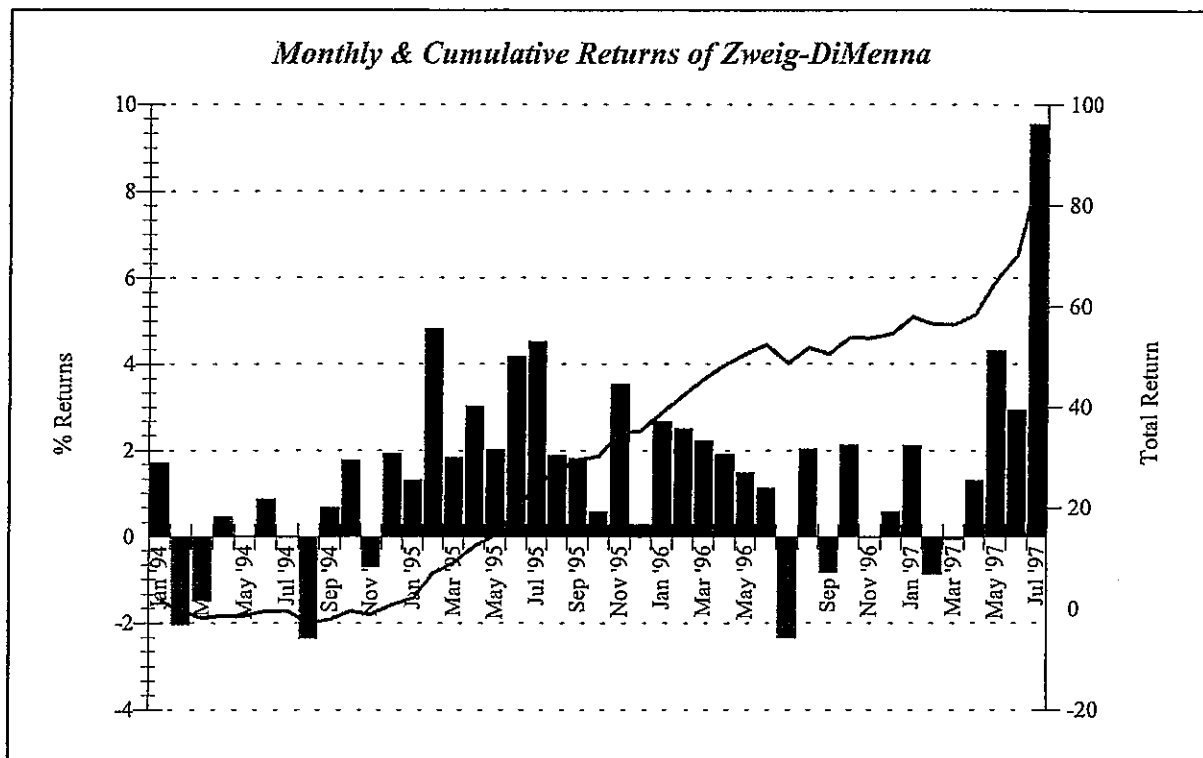
Quarterly

**Minimum investment:**

USD 500'000

**NAV published:**

Monthly


**Zweig-DiMenna International Ltd.**
**Style: Long / Short Equities**


<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Zweig-DiMenna</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43				3-7 yrs
<b>Analysis Currency:</b>	USD	USD	USD	USD	USD

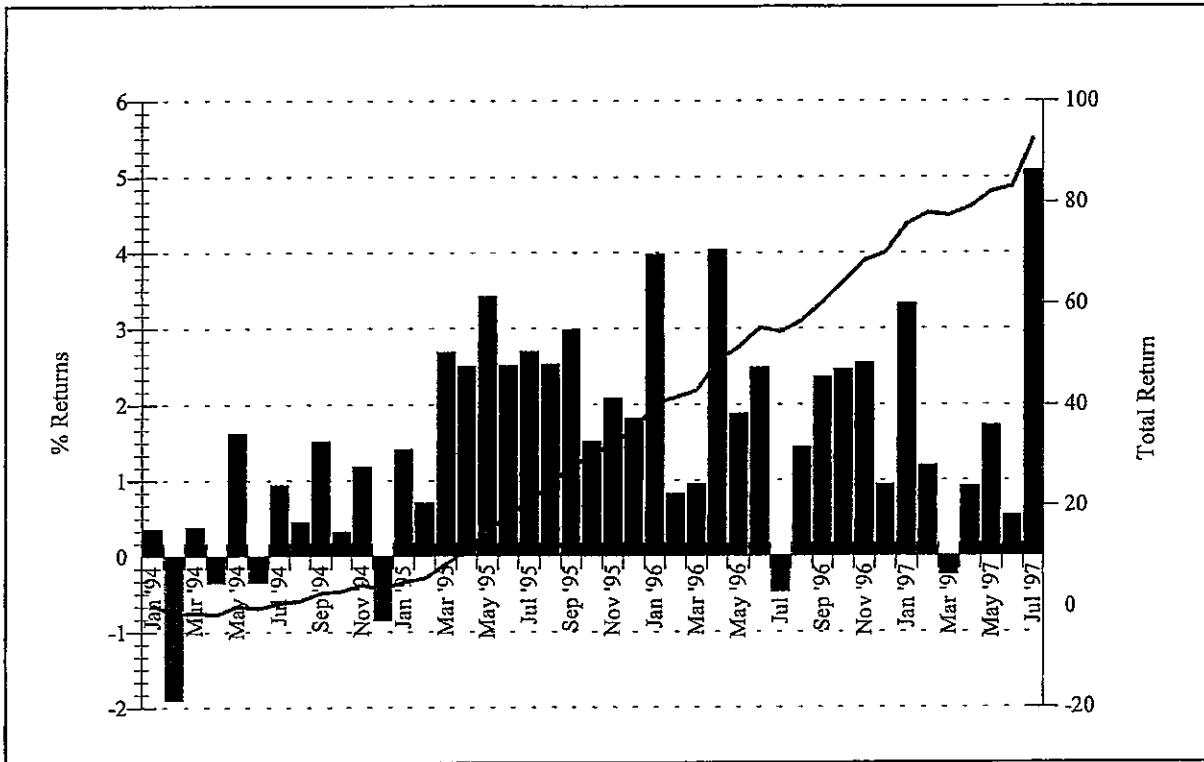
Return Analysis					
<i>Total Period Return</i>	86.52%	122.47%	64.08%	21.74%	
<i>Annualised Geometric Return</i>	19.00%	25.00%	14.82%	5.64%	
<i>Best 12 Month Rolling Return</i>	36.42%	51.72%	30.65%	20.60%	
<i>Worst 12 Month Rolling Return</i>	0.41%	0.53%	-4.50%	-1.72%	
Consistency Analysis					
<i>% Up Months</i>	79.07%	79.07%	69.77%	60.47%	
<i>% Up 12 Month Rolling Returns</i>	100.00%	100.00%	93.75%	84.38%	
<i>Annualised Standard Deviation</i>	8.81%	13.39%	10.96%	6.41%	
Risk/Downside Analysis					
<i>Annualised Downside Deviation (RF)</i>	3.02%	5.96%	5.81%	4.19%	
<i>Largest Drawdown</i>	4.45%	6.95%	5.89%	6.59%	
<i>Average of Largest 5 Drawdowns</i>	1.56%	4.27%	3.93%	3.01%	
Risk/Return Analysis					
<i>Gain / Loss Ratio</i>	6.92	4.13	2.88	2.16	
<i>Sharpe Ratio - Annualised</i>	1.62	1.54	0.94	0.12	
<i>Sortino Ratio - Annualised</i>	4.71	3.46	1.77	0.18	
<i>Average Growth / Max Drawdown Ratio</i>	4.49	3.60	2.09	1.16	
<i>Average Growth / Average Drawdown Ratio</i>	12.84	5.86	3.13	2.53	
Correlation Analysis					
<i>Zweig-DiMenna</i>	1.00	0.55	0.45	0.05	
<i>S&amp;P 500</i>	0.55	1.00	0.82	0.06	
<i>MSCI World Free</i>	0.45	0.82	1.00	0.26	
<i>Salomon WGBI 3-7 yrs</i>	0.05	0.06	0.26	1.00	

Source: Financial Risk Management Ltd.





## 20. Castle Alternative Invest Portfolio Backtest in USD



<b>Date Range:</b>	Jan '94 ~ Jul '97	<b>Castle Alternative</b>	<b>S&amp;P 500</b>	<b>MSCI World Free</b>	<b>Salomon WGBI</b>
<b>No. of Months:</b>	43	<b>Invest AG Backtest</b>			<b>3-7 yrs</b>
<b>Analysis Currency:</b>	USD	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Return Analysis</b>					
<i>Total Period Return</i>	92.45%	122.47%	64.08%	21.74%	
<i>Annualised Geometric Return</i>	20.05%	25.00%	14.82%	5.64%	
<i>Best 12 Month Rolling Return</i>	33.98%	51.72%	30.65%	20.60%	
<i>Worst 12 Month Rolling Return</i>	3.35%	0.53%	-4.50%	-1.72%	
<b>Consistency Analysis</b>					
<i>% Up Months</i>	86.05%	79.07%	69.77%	60.47%	
<i>% Up 12 Month Rolling Returns</i>	100.00%	100.00%	93.75%	84.38%	
<i>Annualised Standard Deviation</i>	5.82%	13.39%	10.96%	6.41%	
<b>Risk/Downside Analysis</b>					
<i>Annualised Downside Deviation (RF)</i>	1.66%	5.96%	5.81%	4.19%	
<i>Largest Drawdown</i>	1.91%	6.95%	5.89%	6.59%	
<i>Average of Largest 5 Drawdowns</i>	0.70%	4.27%	3.93%	3.01%	
<b>Risk/Return Analysis</b>					
<i>Gain / Loss Ratio</i>	16.80	4.13	2.88	2.16	
<i>Sharpe Ratio - Annualised</i>	2.59	1.54	0.94	0.12	
<i>Sortino Ratio - Annualised</i>	9.13	3.46	1.77	0.18	
<i>Average Growth / Max Drawdown Ratio</i>	12.07	3.60	2.09	1.16	
<i>Average Growth / Average Drawdown Ratio</i>	32.88	5.86	3.13	2.53	
<b>Correlation Analysis</b>					
<i>Castle Alternative Invest AG Backtest</i>	1.00	0.55	0.31	-0.10	
<i>S&amp;P 500</i>	0.55	1.00	0.82	0.06	
<i>MSCI World Free</i>	0.31	0.82	1.00	0.26	
<i>Salomon WGBI 3-7 yrs</i>	-0.10	0.06	0.26	1.00	
<b>Source: Financial Risk Management Ltd.</b>					

WARNING: The data used in these calculations is provided by the fund managers and FRM cannot guarantee its accuracy.



## **21. Domiciles and Addresses**

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